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NEWS SUMMARY

GENERAL

Muskie attacks Giscard stance

U.S. Secretary of State Edmund Muskie fiercely criticised France for failing to consult the U.S. before this week's Warsaw meeting between President Giscard d'Estaing and President Brezhnev.

French determination to pursue an independent line in foreign policy was frustrating, he said.

His attack came as West German Economics Minister Count Otto Lambsdorff criticised Britain's decision not to backdate economic sanctions against Iran. Back and Page 3; Parliament, Page 10

Arson fears as 180 die

Fire at a government-run home for the poor in Kingston, Jamaica, killed more than 180 people, mainly women. Prime Minister Michael Manley said: "Security forces' reports indicate this may be the work of arsonists."

Cabinet resigns

South Korea's Cabinet resigned because of its failure to control student demonstrations and rioting. Page 4; editorial comment Page 16

'Sus' law call

Government select committee recommended immediate repeal of the "sus" law which gives police power to arrest someone suspected of loitering with intent.

Ladbroke pull-out

Ladbroke Group shut its last London casino and said it would not appeal against the three previous closures. It has already started selling its 11 provincial casinos. Page 8

B-test warning

Police may soon have powers to hold random breath tests as part of a tightening of the drink-driving laws, warned Kenneth Clarke, Parliamentary Secretary at the Transport Department.

Miami curfew

More than 4,000 National Guardsmen were helping police enforce a dawn-to-dusk curfew in Miami's black areas after race riots in which 16 died. Page 5

Derby coverage

Independent television's coverage of next month's Derby is unlikely to be stopped in spite of a legal wrangle between Thames Television and the Office of Fair Trading. Page 8

Fidelio threat

BBC cancelled a Radio 3 broadcast from the London Coliseum after members of the English National Opera orchestra threatened to walk out during a performance of Fidelio. The threatened action was in protest at BBC plans to axe five orchestras.

Looking up

French 14th century mirror case, bought at a jumble sale for £1, was sold at Phillips, London, for £36,000 to Mautri, a Paris dealer. Saleroom, Page 8

Briefly . . .

Regine ended her association with the Kensington rooftop club which bore her name.

Peking is to hold a "kill-a-fly week."

PUBLISHER'S NOTICE

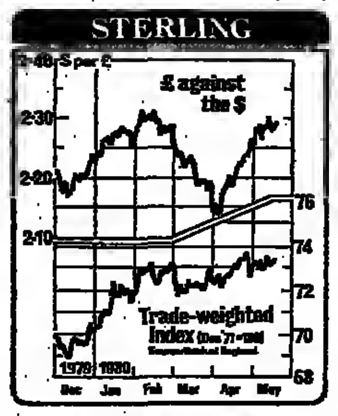
The Financial Times apologises for errors contained in this issue which are due to difficulties in the reading department.

BUSINESS

Sterling firm; Gold off $7.5

● STERLING rose 75 points to close at $2.2910 and its trade-weighted index was 73.3 (73.2).

STERLING



DOLLAR's index was 85.4 (85.5). Page 25

● GOLD closed $7.5 down in London at $507. Page 25

● GILTS eased and the Government Securities index closed 0.19 off at 67.42. Page 28

● EQUITIES trade was dampened by recession and inflation fears. The FT 30-share index shed 0.2 to close at 433.6. Page 28

● WALL STREET was 1.02 up at 831.91 near the close. Page 26

● U.S. TREASURY BILL rates were: threes 8.953 per cent (8.604); and sixes 8.923 per cent (8.732).

● BANK of England Governor Gordon Richardson advised bankers to pay more attention to maintaining adequate liquidity levels, and indicated that the Bank appeared to be changing its attitude to the Banking Act, 1979. Back Page; editorial comment, Page 16

● WEST GERMAN citizens bought 10 per cent of all gold sold last year, according to the latest monthly Bundesbank report. Back Page

● TURKEY and the IMF agreed in principle on a three-year standby arrangement for 1.25bn special drawing rights (£709.4m). Page 2

● NATIONAL FREIGHT chairman Robert Lawrence announced trading profits for last year down £600,000 to £20.2m and urged the Government to make the state-owned corporation a limited company as soon as possible after the Transport Bill becomes law. Page 7; Men and Matters Page 16

● POST OFFICE secured agreement from its biggest union to experimental local incentive deals vital to improving postal service efficiency.

● CEGB chairman Glyn England said construction of the Isle of Grain power station was necessary to maintain credibility of the building industry as the GMWU decided to consult all laggers working for the CEGB on strike action over the power plant dispute. Page 7

● TALBOT is cutting a further 1,300 from its workforce at Linwood, Scotland, as a result of falling UK car sales and increased competition. Page 8

COMPANIES

● ROYAL DUTCH/SHELL raised first quarter net income by £100m to £718m. The increase was attributed mainly to oil and gas production operations and higher contribution from U.S. affiliates. Page 18 and Lex, Back Page

● C. E. HEATH & Co, the insurance broker, reports pre-tax profits for the year down £3.1m to £12.95m, and is expecting another flat year. Page 18 and Lex, Back Page

● ST. PIRAN shares were suspended on the Stock Exchange ahead of a City takeover panel announcement on what action it would taka in the absence of a full bid for the mining and building group.

Unemployment up 25,700 to 6.1% and 'bound to rise'

BY DAVID MARSH

ADULT unemployment has risen to a post-war record of 1.48m, seasonally adjusted and excluding school leavers. It has climbed 220,000—17.5 per cent—since the labour market started to tighten last September. The Government is reconciled to further rises in coming months.

Figures from the Department of Employment yesterday show unemployment has rise 25,700 from the previous post-war high in April, and is equivalent to 6.1 per cent of the workforce, compared with 6 per cent last month.

Notified job vacancies have been falling continuously for almost a year, and the number of redundancies in industry this year has been the highest since 1971.

The rise in unemployment has been most marked in the North of England and the Midlands. These areas have a high concentration of manufacturing industry, which is being bit particularly hard by a combination of high interest rates, weak demand, high wage settlements and the strong pound.

ployment Secretary, told the Commons yesterday unemployment was "bound to rise" further in the next few months as a result of the slack world economy and the unrompetitive state of part of British industry. The best thing would be if interest rates came down.

The Government has already ruled out a cut in Minimum Lending Rate as long as bank lending remains at its present high levels.

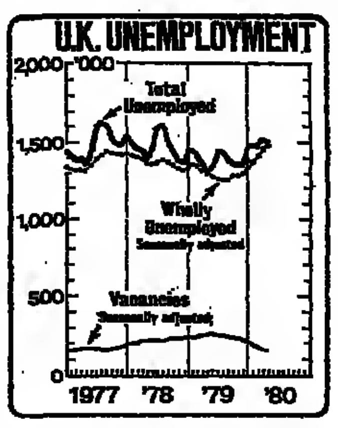
The figures draw an angry reaction from trade union leaders Mr. Len Murray, general secretary of the TUC, said the Governments policies "were driving Britain to the edge of economic disaster."

The unadjusted total of all unemployed is still below the post-war peak of 1.64m recorded in August 1977. This is because the main batch of this year's 712,000 school leavers has yet to come on to the labour market. Their numbers will swell the unemployment register later on in the summer, when, Whitehall officials say, the August 1977 figure is certain to be exceeded.

The rise of 25,700 in the adjusted adult total since April was the smallest monthly rise this year, and is only about half the biggest monthly increase seen in the last period of rapidly rising unemployment in 1974-75.

The sharper monthly increases in unemployment earlier this year may have been rue to the depressing effects of the British Steel strike on business confidence and recruitment. The strike ended on April 1.

But with the squeeze on corporate liquidity at its most severe since 1974/75, companies remain intent on trimming staff levels, even though the recession has only just begun.



The department's seasonally adjusted figure for notified vacancies—thought to account for about a third of vacancies in the economy as a whole—fell 5,500 this month to 183,000, its lowest since November 1977.

This was the 11th successive decline in the level of vacancies. It brings the total down to nearly 100,000 below the level 12 months ago and only about 50,000 above the trough reached in 1975-76, the end of the last recession.

The growing tightness of the labour market is also indicated by a sharp rise to 123,000 redundancies in the first four months this year.

Regional map, Page 7

Changes planned in pay system for civil servants

BY PHILIP BASSETT, LABOUR STAFF

MINISTERS ARE considering ways of bringing market forces to bear directly on the pay of civil servants by a radical reshaping of a system that has stood for nearly 25 years.

Their unpublished blueprint appears to be part of the urgent Cabinet review of public sector pay launched this week, designed to keep public sector pay settlements below the rate of inflation in the next wage round.

The Government is determined to surmount the perennial difficulty and embarrassment caused by the Civil Service pay research system, which is based solely on comparisons with outside industry.

Changes along the lines being suggested would be a major upheaval for the service. They come at a time when the future of the Clegg Commission, which is doing similar exercises for other public servants, is in doubt and they reflect Ministers' concern to break the historical expectation of these employees that their pay will remain linked to pay increases elsewhere in the economy.

The main proposal is to set up a two-tier bargaining system in place of central, national determination of Civil Service pay rates based on the Pay Research Unit's comparability reports.

Comparability would continue to be the mechanism for setting national minimum rates. But these would be topped up by regional bargaining, rather as happens in the engineering industry, and rises would be based on the ability of different regions to recruit and retain staff.

A second idea is to award merit payments for increased productivity and efficiency, in line with the Prime Minister's stated objectives for the service and the views of Sir Derek Rayner, in his work on the service's efficiency.

The third major element of the blueprint is designed to resolve the differentials problem among higher paid civil servants. In the past those at the top of the pay research system have had their annual settlements squeezed in order to accommodate the relatively smaller increases awarded to those staff graded immediately above them, whose pay is determined by the Top Salaries Review Body.

The idea is to replace the pay research scale with a range of pay for the two senior grades of essistant secretary and senior principal to allow greater flexibility between their rates and those of the under

Continued on Back Page

Sony to make TV tubes in UK

BY JASON CRISP

SONY is to become the first Japanese rompany to manufacture colour television tubes in Europe. It is to invest £10m in expansion of its Bridgend plant in South Wales.

The investment marks a further stage in the Japanese attack on the European consumer electronics market. It will reinforce the trend among European companies either to seek defensive alliances with the Japanese, or to form larger groupings to match Japanese economies of scale.

There are five Japanese companies manufacturing televisions in the UK: Sony, Matsushita (Panasonic) and Mitsubishi through direct investment, and Toshiba and Hitachi through joint ventures with Rank and GEC.

The only company making colour telvision tubes in the UK is Mullard, the subsidiary of the Dutch company, Philips. The closure of Thorn's Skelmersdale television tube plant in 1976 was blamed partly on Japanese rompetition. Most tubes for UK-manufactured sets are imported

Announcing the building of the new 65,000 sq ft plant, Mr. Akio Morita, co-founder and chief executive of Sony, said it would bring Sony's total investment in the UK to £20m.

The new plant, to be built next door to the existing works, will make a 27 in tube. Production should begin in the autumn of next year and Mr. Morita expects a production capacity of 125,000 tubes a year within two years.

The television plant at Bridgend was opened in 1974 and has a production capacity of 150,000 sets a year. Half of Sony's production of 125,000 sets is exported, mainly to Western Europe. Sony says it has a 32 per cent share of UK colour television exports. This year, Sony was the first Japanese company to receive the Queen's award for exports.

Mr. William Fulton, managing director of Sony UK, said that, excluding tubes, over 50 per cent of components were made in the UK.

Lombard, Page 14

CUT LATER THIS YEAR SAYS HOWE

CBI plea on interest rates

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE GROWING RIFT between the Government and leading industrialists over the level of interest rates deepened last night whe nthe Confederation of British Industry used the occasion of its annual dinner in London to tell Sir Geoffrey Howe, Chancellor of the Exchequer, that "the moment has arrived." for a reduction to be introduced.

Addressing Sir Geoffrey and other guests at the dinner in London, Sir John Greenborough, the confederation's president, pledged support for the Government's monetary targets, but added: "We would urge the Government not to delay now these targets have been met. Many of us would argue the time has arrived. We believe the time is ripe for a reduction."

However, Sir Geoffrey arrived at the dinner without any intention of meeting the CBI's request, which amounted to the most critical statement of the Government policies issued by industry since the last general election.

In his speech which was prepared before he heard Sir John's remarks, Sir Geoffrey said he recognised "how strongly you feel about the high interest rates." But he promised no immediate relief beyond saying "I have no doubt that it will be possible to reduce interest rates later in the year." He also said the high exchange rate was an essential part of the Government's monetary policy.

This disappointed many of the 1,400 businessmen at the dinner whose leaders have been putting pressure on the Government to bring interest rates down since the CBI's quarterly industrial trends survey three weeks ago showed that companies are facing increasingly serious problems, including worsening corporate liquidity.

Repeating warnings delivered by the CBI to Sir Geoffrey in private meetings, Sir John said last night that the rates should come down "before the crippled industry further." Small companies were suffering most.

Sir John was also critical of the Government's limited efforts to persuade trade unionists of the need for lower pay rises. "I do not believe the Government is yet doing nearly enough to get the message of the realities across," he said.

This criticism is likely to be repeated by CBI leaders when they hold conferences of their members on the next pay round in the coming weeks.

Sir John warned that "the policy of 'live now, pay later' is a policy of personal and national suicide." This was echoed by Sir Geoffrey, who said: "During the coming year, the rate of inflation will be falling. So we need pay settlements below the rate of increase in the retail price index."

Men and Matters, Page 16

Changes at the Times

BY MAX WILKINSON

TIMES NEWSPAPERS is preparing to change its top management while launching efforts to improve industrial relations and to stem production losses.

The new management team will tackle regular production losses by the Sunday Times and continued disagreements with the National Graphical Association about new, computer-based typesetting-machines.

Mr. Michael Mander, deputy chief executive of Times Newspapers, is to become head of Thomson group's worldwide magazine empire.

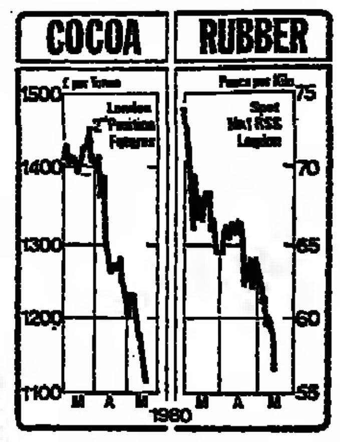
Mr. Duke Hussey, chief executive, is expected to become deputy chairman. Although management has backed Mr. Hussey in his stand against union disruption, it is thought that after his inevitably exposed position in last year's strife he might move from the front line in the conciliation era.

Mr. Dugal Nisbet-Smith, general manager, is expected to become chief executive. Mr. Mander's job, as head of marketing and advertising, will be taken by Mr. Garry Thorn, the Sunday Times marketing director.

The new approach to the unions, suggested by Charles Barker, management consultant, was signalled yesterday by a conference at which union representatives and managers discussed "improving communications." A new "chief communicator," Mr. Tudor Hopkins, has been appointed.

But in spite of the conciliatory tone, Times managers are worried by failure to progress in talks about new technology. Some believe the 11-month dispute left negotiators hardly better off than when they started.

News Analysis, Page 8



Fall in commodity prices

By John Edwards, Commodities Editor

COMMODITY prices tumbled yesterday amid growing fears that the recession will hit demand for raw materials.

Cocoa plunged to the lowest level for over four years and natural rubber came down to the lowest point since January last year.

The first rain in Britain for some weeks brought a sharp fall in the home-grown grain prices, and another recent "boom" market, sugar, also suffered a reverse. On the metals markets, silver came under renewed selling pressure.

Basic metal prices have already fallen substantially in the wake of the silver crisis early this year. Now other commodities are feeling the brunt of speculative disillusionment, high interest rates and a decline in demand as the industrial recession develops.

This is particularly reflected in the natural rubber market. Its price soared to a record 90p a kilo in February but has now collapsed to 56.5p, with dealers predicting still further declines owing to lack of demand from the tyre industry.

Cocoa too is suffering from a surplus of supplies. Its price on the futures market yesterday fell by £54.50 to £1,114.5 a tonne.

World sugar prices followed silver down in February and March, but subsequently soared this month to their highest level for more than five years.

But yesterday saw another bout of heavy selling by speculators taking their profits.

Rain in Britain and Europe has revived hopes of a bumper EEC beet crop this season and was a major factor behind the £10 decline

Details, Page 27

£ in New York

—	May 19	Previous
spot	$2.2845-2855	$2.2830-2860
1 month	1.40-1.35 dis	1.24-1.16 dis
3 months	3.50-3.24 dis	3.40-3.38 dis
12 months	7.00-6.80 dis	7.25-7.05 dis

CONTENTS

For latest Share Index 'phone 01-246 8026

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES			FALLS		
Treas. Vrbl. 1982	£97	+ ⅛	Excheq. 13¼pc '96	£93½	− ½
Camrex	37	+ 6	Bejam	72	− 4
Cawoods	188	+ 6	Fidelity Radio	45	− 8
Grand Metropolitan	125	+ 3	Fodens	36	− 6
Hammerson A	885	+ 15	Home Charm	110	− 5
Heath (C. E.)	208	+ 6	Man. Agency Music	128	− 5
Hill Samuel	97	+ 4	Readicut	17	− 2
Keyser Ullmann	70	+ 5	Redfearn Nat. Glas	230	− 8
Ladbroke	165	+ 9	Sheffield Brick	35½	− 3½
Plaxton's (Scarbro.)	193	+ 14	Thorn EMI	278	− 6
Samuel (H.)	140	+ 4	Utd. Scientific	509	− 5
Sothebys	497	+ 14	Harrisons Mly. Ests.	158	− 7
Tate and Lyle	134	+ 4	Highlands	109	− 5
Unilever	410	+ 8	RTZ	353	− 12
Viking Resources	217	+ 10	Selection Trust	652	− 16
Berkeley Expln.	184	+ 6	Tanks	267	− 13
LASMO	645	+ 45			
Bond Crpn.	75	+ 5			
General Mining	745	+ 20			
Ventersport	645	+ 22			

The Christian Democrats have been humiliated in state elections, and are seeking a new leader, writes **Roger Boyes from Berlin**

West Germany inches towards the post-Strauss era

WANTED: A *new* leader for the West German Christian Democratic Party. Must be able to heal wounds quickly and perhaps win elections. Non-Bavarian preferred.

No advertisement has actually been placed, but the head-hunting has begun — tentative, whispered, approaches were being made this week at the Christian Democratic Party conference in the labyrinthe corridors of the Berlin Congress Centre. The fact is that the West German Democrats have entered the post-Strauss era—much as Yugoslavia passed into the post-Tito period — long before the death of the Marshla.

Herr Franz-Josef Strauss, bugbear of the Left and, as it emerges, much of the Centre-Right, is tacitly blamed within the Opposition party for the recent string of state election losses.

The Bavarian premier, long the king-maker and king-breaker of the Christian Democrats, became the Oppositions' official contender for the Chancellery in the Octoher elections. But the state election results—especially in North Rhine-Westphalia—show that Herr Strauss has *only* a slim chance of beating Chancellor Helmut Schmidt.

There are a host of reasons for this, and they are worth considering because they will shape the choice of Herr Strauss's successor and thus, possibly, of a future Christian Democratic Chancellor. In the first place, the party has miscalculated the strength of the antipathy to Herr Strauss in the northern, non-Catholic parts of Germany.

Herr Strauss has compounded this error by pursuing a misjudged election campaign, which has tried to present him as both an international statesman-in-waiting and as a scourge o fthe domestic Left. Voters have been asked to believe simultaneously in Herr Strauss as an internationally respected man of peace and as a man of no compromise. A year ago he called himself. The German Margaret Thatcher. He has since dropped the analogy.

But Herr Strauss's main failing has been his inability to integrate the heterogeneous Christian Democratic Opposition. Leadership crises have become an integray part of Christian Democratic politics since the retirement of Dr. Konrad Adenaner, Germany's first post-war Chancellor. It is natural enough for a party which has been in opposition for ten years to tear itself asunder in the search for a winning formula and a suitable leader. Bnt the tensions were there even when the Christian Democrats and their Bavarian affiliate, th eChristian Social Union, were in power. Thus, Dr. Adenauer's successor, Dr. Ludwig Erhard — the architect of the "economic miracle" — was constantly under siege from within his own party.

The problem has beeo how to reconcile the often competing aims of the interest groups which make up the Christian Democrats' basic support. When the party was established in 1945, it attracted surviving members of pre-nazi conservetive and sectarian parties, some union leaders, representatives of major churches, and business interests. The idea was to create out of this e "Christian" union, committed to democracy, but not identifie dwith any social stratum.

At the same time, the sister Christian Social Union party in Bavaria—headed by Herr Strauss for most of the post-yar years—represented rural and regional issues, and had strong links with the Catholic church.

The formula worked well enough under Dr. Adenauer—Herr Strauss served under him as Defence Minister—but it has not adapted quickly enough to certain social changes—the youth vote, for example.

Hugh Routledge

Herr Franz Josef Strauss . . . embattled

The immediate dilemma is: after Strauss, what? There is an "exorcism" school within the Christian Democrats which believes the October election is already more or less doomed; but that defeat may be worthwhile if it breaks Herr Strauss's influence over the party once and for all. Others, less Machiavellian, consider it is now simply too late to dump Herr Strauss.

But, after an election defeat, the party is unlikely to declare Dr. Helmut Kohl, the present party chairman, as the official contender for the Chancellery again. Herr Kohl, former Premier of the Rhineland-Palatinate, was until last year the party Chairman, parliamentary floor leader and shadow Chancellor, all rolled into one. Although well-respected (the party captured a solid 48.6 per cent of the vote under his leadership in the 1976 elections), he was manifestly unable to handle all three jobs—state election losses showed that—and so the official role of shadow Chancellor was thrown open. Two men tussled for the job—Herr Ernst Albrecht, the talented Premier of Lower Saxony (backed by Herr Kohl) and Herr Strauss. The party chose Herr Strauss, largely because he was far more experienced in federal politics.

Now Herr Kohl is riding high again, if only because he contrasts so vividly with Herr Strauss. The Bavarian inevitably sacrifices tact to wit, while Herr Kohl does precisely the opposite—emerging as worthy but uninspiring.

But the party realises Herr Kohl does not have the ability to integrate the Christian Democrats nor the strength of personality to mobilise uncertain Christian Democrat sympathisers. Chancellor Schmidt would have to blunder badly—and repeatedly—if the Christian Democrats were to stand a chance of success, even in 1984.

The man now under discussion in some sections of the party—including parts of the Junge Union, the party's youth wing—is Herr Albrecht. He is, having just turned 50, young and popular enough to challenge Herr Schmidt in 1984.

Indeed, Herr Albrecht has already directly challenged Herr Schmidt and effectively frozen Bonn's nuclear power policies by refusing a government plant to build a comprehensive nuclear waste storage and recycling centre in Gorleben, Lower Saxony. The centre would heve solved the country's nnclear waste problem at a stroke—but Herr Albrecht refused, after careful consideration, to have the centre in Lower Saxony because, he said, it was "politically-unworkable."

This ranks as one of the more notable Christian Democrat victories over government policy over the past two years, although it is, in truth, rather e negative achievement. But Herr Albrecht has more going for him—he was instrumental, for example, in one of the more dramatic turn-rounds in state politics. Over the past four years, Lower Saxony has changed from a Social Democratic stronghold to Christian Democrat—Free-Democrat coalition then to Christian Democrat a Government with an absolute majority.

Herr Albrecht, his supporters argue, appeals to women and young voters, has some experience of foreign affairs (from his time as chef de cabinet of a European Commissioner in Brussels) and has been successful in industry. And, most important, he has declared his willingness to stand as Chancellor.

If Herr Strauss loses the October election, Herr Albrecht might well step into his shoes. The next Christian Democrat leader of Germany is thus more likely to be Chancellor Albrecht than Chancellor Strauss.

Optimism over prospects for grain harvest

BY LESLIE COLITT IN BERLIN

THE OUTLOOK for grain harvests in Europe and the Soviet Union is considerably hetter than last year, eccording to Western Europe's largest grain dealer, Alfred C. Toepfer International of Hamburg.

The company, which is a major importer of North American grain and sells to West Germany and Eastern Europe, says that although spring planting has been delayed in both Poland and Rumania, winter wheat has done better than last year. Poland should have a harvest of some 20m tonnes compared with 17.3m last year.

Winter wheat planting greatly expanded in Eastern Europe and the Soviet Union (5m hectares over 37m in 1978) and current moisture level is described as good. The delay in spring plenting of from one to three weeks could he made up with continued good weather.

In the Soviet Union, tha company's report says damage to the winter wheat crop has been limited and, despite e two to three week delay in summer wheat planting, a harvest of between 200m and 220m tonnes "appears realistic at present." Some 225m to 230m tonnes will be needed to cover Soviet needs.

A Soviet import requirement of ehout 15m tonnes would be easy to satisfy, the market report notes, because of reduced requirements in hoth Eastern and Western Europe, which Toepfer says would lead to a "fall in turnover" on the international grain market in 1980-1981.

The Toepfer report calls Western Europe's harvest prospects "quite optimistic," saying summer wheat is developing well. The record harvest in 1978 of 116m tonnes could well be matched.

Turkey in three-year agreement with IMF

BY METIN MUNIR IN ANKARA

TURKEY and the International Monetary Fund (IMF) have reached agreement in principle on a new standby arrangement of three years duration for an amount equivalent to 1.25bn special drawing rights (SDRs) ($1.62bn).

Mr. Turgut Ozal, the Government's Chief Economic Advisor, said he expected the arrangement to be ratified by the IMF executive board "in the second half of June." On the Turkish side "there are no problems," he said. Mr. Ozal denied news reports of an imminent devaluation of the Turkish lira at the recommendation of the IMF. Such e devaluation was "unnecessary."

Tha new arrangement will be the third one between the Fund and Turkey since 1978. Turkey had signed a two-year standhy arrangement equivalent to SDR 300m in 1978 but could not adhere to the conditions attached. A second one-year arrangement for an amount equivalent to SDR 250m was made in July 1979.

The new agreement represents a major coup for the Turkish Government hoth for its amount and its dnration. Before Mr. Ozal flew to the U.S. to clinch the deal with the Fund, many economists had thought that Turkey was too amhitious in asking for e three-year agreement. It was believed that the Fund would not consider Mr. Suleyman Demirel's minority Government strong enough to undertake the more severe conditions of a three-year agreement.

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Italians to go to Moscow Olympics

By Rupert Cornwell in Rome

THE Italian Olympic Committee yesterday ignored the advice of the Rome Government and voted overwhelmingly to send a team of athletes to participate in this summer's Moscow Games.

Italy thus falls into the same category as Britain, whose Olympic Committee opted to go to Moscow in defiance of the wishes of the Government. The Italian team however is likely to see its numbers almost halved, as athletes from the Armed Forces, who come under the direct jurisdiction of the Government, will not be permitted to compete.

Although the Italian Committee's decision had been largely expected, the size of the majority in favour of going to the Games, where the Italian flag and national anthem will be absent, came as a surprise. Of the 34 members, only three voted to back the boycott. Two abstained, and 29 voted to go.

Predictably its decision was regretted by the Government, but largely welcomed by the left of the Socialist Party and the Communists, both of whom had opposed the original decision of the Government to stay away.

Volvo to lay-off 7,000 workers

VOLVO, the Swedish car and lorry manufacturer, announced yesterday that it would have to lay off 7,000 workers next Tuesday as a result of a dockers' strike which is preventing it from shipping cars to foreign markets, William Dullforce reports from Stockholm. The strike, by the harbour workers' union, has also severely reduced deliveries of Swedish newsprint, pulp and steel.

It is estimated that about a quarter of the country's trade is still crippled, nine days after the settlement which ended its biggest industrial conflict. Talks between the stevedore companies and the union running the strike are deadlocked because of trade union rivalry.

Suarez defends his record

SR. ADOLFO SUAREZ, the Spanish Premier, vigorously defended his Administration's record against a background of lagging popular support and criticism from the Socialist and Communist Opposition parties, Robert Graham reports from Madrid.

The debate is a key test of support for the ruling Union de Centro Democratico (UCD) in Parliament and could result in a confidence vote from the Opposition. Sr. Suarez stressed that three years was a short time in which to establish a stable democracy.

Democracy was "fragile" in Spain, he said, reinforcing the Government view that this is not the time for a divisive debate

David Tonge reports on the reasons why oil technology will still be sold to the Soviet Union, despite sanctions in other areas

West shies away from starving the 'hungry giant'

DESPITE the persistent search for sanctions to punish the Soviet Union for its invasion of Afghanistan, the West continues to believe that it should supply Moscow with the equipment needed to revive the flagging Soviet oil industry.

Several reviews of potential sanctions have considered including oil technology in the list of banned high technology exports, but those involved say that the West has so far concluded that oil is a special case.

The general hope is that, with the Soviet Union running short of oil within its boundaries, helping Moscow will reduce its interest in trying to control oil from the Gulf. One Western specialist says: "If the Soviet Union can see light at the end of the tunnel, it will feel less desperate."

A year ago, according to Admiral Stansfield Turner, Director of the U.S. Central Intelligence Agency, President Brezhnev told President Carter that energy was Moscow's most pressing problem.

The CIA forecasts that Soviet oil production "will probably peak this year at less than 12m barrels a day and begin falling next year." Admiral Turner predicts that, as a group, the Communist countries will shift from exporting 0.8m b/d to importing at least 1m b/d in 1985.

Past CIA estimates have proved over-pessimistic and one Swedish group, Petrostudies, believes that reforms in Soviet oil policy will enable the USSR to be a net exporter through the 1980s. But most official European estimates echo those of the CIA.

The British view is that by 1985 the Soviet Union will be unable to use oil for its three present purposes— supplying domestic demand, supplying the Warsaw Pact, and producing nearly a half of Soviet hard currency earnings. "Russia will feel a pressing need to obtain more supplies," comments one specialist.

The CIA believes that for the Soviet Union to produce even 10m b/d in 1985 it will need equipment and technology, mainly from the West. The Americans have a clear world lead in drilling. They draw a distinction between components for drilling or extraction of oil and the technology to produce those components.

The current U.S. position, though not formally stated, appears to be that there are advantages in supplying components but that the sala of all production technology should be avoided.

The group dealing with the technology embargo is the Consultative Group Co-ordinating Committee, better known as CoCom, a secretive committee of officials of NATO countries and Japan, which meets regularly in Paris and has tightened up the procedures for supplying high technology products to the Soviet Union.

British officials say that there has been little breaking of the ranks and no apparent leakage of technology via Eastern Europe. CoCom has not included oil in the areas of trade it covers, though the U.S. thinks that it could do so.

A recent French deal showed that the clear distinction drawn by the U.S. may prove slightly blurred in practice. Two months ago, French companies won a contract worth $118m to build fabrication yards to produce oil rigs for use in the Caspian Sea; unsuccessful bidders included a British consortium of BP, Wimpey and the UK subsidiary of Brown and Root.

Other recent developments include the shipment to Japan of U.S. drilling equipment for exploring the Soviet continental shelf off Siberia. Both Bonn and Tokyo are offering official finance for sales of natural gas pipe to the Soviet Union.

Late last year, the French signed a deal to provide enhanced recovery techniques using gas-lift methods for the huge Samotlor field in West Siberia. Even that field has now reached a production plateau, according to the CIA.

Other important potential Soviet sources include the large known reserves of non-flowing heavy oil, the deep onshore Caspian depression, Eastern Siberia, the Sea of Okhotsk, north of Japan, and the Barents and Kara Seas, between the Soviet Union and the Arctic Circle.

The Barents and Kara Seas present particular problems, but BP, which combines experience in Alaska and in the North Sea, has long been discussing a deal with the Russians. Last year, the tough anti-Soviet line of the new British Government was followed by a hiatus in these discussions.

British officials argue that a ban on offshore oil deals would hurt Britain, particularly when it is trying to use experience gained in the North Sea to develop a field of technological expertise, which, it is hoped, will outline North Sea oil.

There are two main arguments against providing technology to the Soviets. First, whatever technology is provided will not prevent Russia from being a hungry giant: even with Western help new fields will not come on stream until late in the 1980s or early 1990s.

Second, even if the West could help, it should make sure that Russia has an oil problem so that Moscow has to divert resources which might otherwise have strengthened its economic and military base.

For the moment, these arguments do not prevail. Instead, Western diplomats suggest that the resources would be found by the Soviets, even if the cost of developing technology is far higher than that of importing it. That cost would be paid—the argument goes—not by the military, but, as always, by the Soviet consumer.

Martens wins his last, last chance to unite a divided family

BY JOHN WYLES IN BRUSSELS

BY FORMING a Government last weekend in littla more than 40 days after the demise of its predecessor, Mr. Wilfried Martens bas proved one of tha ablest family men in recent Belgion history. This is nothing to do with his virtues as husband and father. Rather, it testifies to his success in an unexpectedly short time in forming a coalition around an agreed set of policies from Belgium's three main political "families" — the Social Christians, Socialists and Liberals.

Belgium's fondness for characterising its three most important political forces as "families" gives an illusion of political kinship in a society which bas become increasingly immobilised by its absence.

In fact, Belgium comprises just two families, separated by language, and everything about the country, from its roadsigns to its educational systems points up the still unresolved battle for supremacy between tha Dutch-speaking majority and the Francophone minority.

Nowhere is this more apparent than in the political parties. In the economic and social policies they espouse, the Social Christians, the Socialists and the Liberals resembla their respective Christian Democrat, Socialist and right-wing Conservative counterparts elsewhere in Europe. But the fact that each is divided into largely autonomous Dutch and French-speaking wings denotes the primacy of language as the political issue mobilising the country's 10m population.

Mr. Martens's new Government offers a perfect illustration. It differs from his last, which was defeated on April 9, in that it includes the Liberals, whose political price for joining is a commitment by a Government involving Socialists to a set of economic policies to which few of Europe's other Socialist parties wonld wish to adhere.

Direct tax cuts to business, a sbift in the general tax burden from direct to indirect taxation, allied to general public expenditure cuts, are all part of the new Government's programme.

Dutcb- and French-speaking Socialists will put ideology second to tha need for the Liberals in Government. This will ensure the necessary two thirds majority inthe Parliament for a fundamental constitutional change, which appears to offer the only real chance of holding the country together

Mr. Martens fervently hopes that the 177 votes which his Government commands in the 212-member lower Assembly will be cast in favonr of the creation of two semi-autonomous regioos, Flanders for the Dutch speaking Flemings and Wallonia for the French speaking Walloons.

Butthe real unsolved problem of wbat to do about Brussels remains. This majority French-speaking city is surrounded by a Dutcb-speaking majority which is loath to concede Francophone demande for an administration enjoying devolved powers equal to those earmarked for Flanders and Wallonia.

The compromise on which the second Martens Government stands, and by which it may yet fall, is an agreement to exclude Brussels from the devolution proposals which the Prime Minister wants Parliament to pass by the end of July. This will allow around two yeas before the next local elections in Brussels for a renewed attempt to settle lts status.

The postponement of the battle of Brussels in lteself is no mean achievement. Mr. Martens finally succeeded because none of the coalition parties wanted to face the possibility of another general election as inconclusive as the last in 1978. In addition, there is a growing fear that the language war may be carried into a more bitter and disruptive phase because of the drift in other policies.

The Belgian franc has been under constant pressure for more than a year because of a deteriorating balance of payments. Unemployment is running at about 9 per cent and is placing almost intolerable welfare demands on Government spending, which is already in record deficit. In addition, nuclear power, as an energy source is emerging as a political issue of great passion.

Thus there is a desperate need for politics which are not constantly bedevilled by the language divide. Mr. Martens's previous administration was said to be Belgium's last chance Government and now people talk of a last, last chance.

Composition of the Parliament

Flemish Christian Democracts (PCV)	57
Francophone Christian Socialists (PSC)	25
Francophone Socialists (PS)	
Flemish Socialists (PS)	26
Francophone Socialists (PS)	32
Flemish Liberals (PVV)	22
Francophone Liberals (PPL)	15
Government parties	**177**
Francophone Front	14
Volksunie	15
Flemish Communists	1
French Communists	3
Others	2
Other parties	**35**

EEC may follow UK sanctions about face

BY JOHN WYLES IN BRUSSELS

THE BRITISH Government's Parliamentary reverse on Iranian sanctions seems likely to be used by other EEC countries as a pretext for dropping their embargoes on trade deals signed with Iran since November 4.

There was much quiet relish bere among some of Britain's EEC partners at the Tory Government's obvious embarrassment. Despite personal misgivings, Lord Carrington, the Foreign Secretary, has been in the forefront of the Nine's discussions on the issue and supported the decision taken by EEC Foreign Ministers in Naples last weekend to ban post November 4 contracts.

But there is also some awareness in Brussels of the broader discomfort which the Community could suffer if the other eight fall in line with the UK and drop an element of the sanctions policy specifically intended to soften U.S. criticism that the measures were not severe enough.

For this reason, West Germany in particular will think long and bard about bringing its sanctions in line with the more limited UK policy of banning new trade and service agreements. Earlier suggestions that Britain was going to ban new loans and credits for Iran are now being disavowed in London.

The other eight remain anxious that no single country goes further or makes more of a sacrifice than any other. Thus there could be strong pressure to follow the UK's line.

David White adds from Paris: The UK refusal to backdate its sanctions prompted sardonic comments in France, which has until now borne the brunt of criticism about being a weak link in the Western Alliance. French officials observed that British solidarity with the U.S. was less evident when it came to proving it in practice. They said it was ironic that the UK sbould be the odd man out wben it hsd been preaching a firm joint Western position on other issues.

OVERSEAS NEWS

David Lennon in Tel Aviv assesses Israeli attitudes to the Palestine autonomy talks

Israel still ready to take on the whole world

MR. MENAHEM BEGIN and his Government are "playing it cool" in the face of Egyptian President Anwar Sadat's vacillation about whether or not to continue negotiations on Palestinian autonomy for the occupied West bank and Gaza Strip.

The Israeli analysis is that the Egyptian leader is bluffing when he halts the talks, because the Israelis believe he has no option but to keep negotiating.

This analysis also includes the U.S. Administration's need to continue negotiations to ensure that the Camp David accords, President Jimmy Carter's major foreign policy achievement, do not collapse on the eve of the U.S. Presidential election.

Mr. Begin also believes the elections will prevent the U.S. from putting pressure on Israel to make concessions. He is also increasingly confident that having ridden out more than half a dozen major coalition crises in the past three years, he will be able to continue to rule until the next Israeli general election in November 1981.

This makes him confident that the Egyptian-U.S. tactics of waiting for his downfall, so they can deal with a more flexible Labour Party Government, are unlikely to work, and that they will have to continue the talks with his Administration.

"Playing it cool" is Mr. Begin's response to Egyptian vacillation

As for a European initiative to bring the Palestinians into the talks, Mr. Begin's Government knows Israel has lost most of its support in Europe. Rejecting a European proposal could, therefore, hardly worsen the relationship.

Israel is also confident that Egypt and the U.S. share its aversion towards an independent Palestinian state in the occupied territories. Because of this, Mr. Begin's Government feels it is possible to bridge the gap between the Israeli offer of minuscule home rule for the Palestinians, and the Egyptian-U.S. demands for a larger degree of Palestinian self-rule.

President Sadat's vacillation over continuing the talks, changing his mind four time in five days, irritated Mr. Begin's Government, but also left is with the comfortable feeling that the usually surefooted Mr. Sadat had misplaced his hand. The Israelis believe that, for a change, Mr. Carter's Administration is angry with Egypt, rather than Israel, over the problems in the negotiations.

Mr. Begin sees no need for concessions or a new initiative to get the negotiations rolling again. His Government's line is that Egypt balted the talks, and it is up to Egypt to return to the negotiating table. Israel is in no rush to patch things up. It will wait for either President Sadat or the U.S. to make a move, and will then consider its response. This will presumably entail a pensive pause, a quibble over the date for resuming the talks, and then agreement to continue.

Even if the talks are not resumed in the near future, Israel still feels it is sitting pretty. It has a peace treaty with Egypt which it believes President Sadat will not renege on. It retains control over the West Bank and Gaza Strip, which it feels is essential for security. The U.S. ability to pressure it is restrained by electoral considerations, and Israel believes the other Arab states are incapable of launching a successful war.

Domestically, Mr. Begin knows his popularity is extremely low, and that his chances of winning new elections are very slim. The country is divided over his policy of pushing ahead with Jewish settlements in all parts of the West Bank, while discontent over continuing high inflation has alienated his traditional supporters among the lower-income groups.

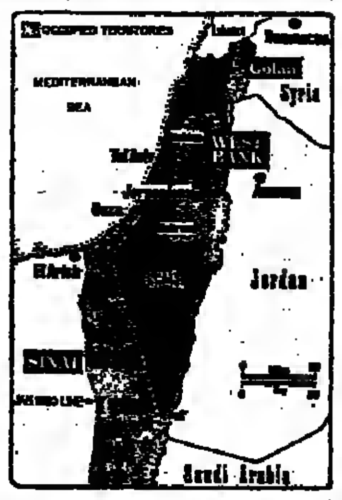
But he also sees that the opponents of his settlement policy content themselves with words which are no match for his Government's deeds. He also knows the index-linking of salaries has cushioned most people's income against inflation. He can also dismiss warnings about the country facing bankruptcy because of government overspending. Israel knows the U.S. is fully committed to making sure Israel's economy stays afloat.

This confidence could be shattered by several factors. One already causing problems is the degree of Israeli control over the West Bank. The past month has seen an unprecedented upsurge of resistance to the occupation by the Palestinian population. This is verging on civil revolt.

Despite harsh repressive measures, it is far from certain that the Army will succeed in crushing the resistance. A conflagration on the West Bank would make it extremely difficult for Egypt to continue the autonomy talks, and could even harm the budding relations between the two countries.

The shaky coalition could still collapse. Most coalition parties have already sold their principles for continued power. But a suitable offer from the Opposition Labour Party, virtually assured of winning the next election, might tempt a coalition party to bring down the Government.

But provided none of these developments take place, and Egypt and the U.S. behave as expected, Mr. Begin's Government will continue to adhere to its tough line on autonomy, and wait for Egyptian concessions.



Concern about the international implications of the stalemate on the Palestinian issue is notably lacking in Mr. Begin's Administration. The "little Israel against the whole world" school of thought predominates. It was succinctly put to me by a very senior Army officer in a private conversation when he said: "I do not give a damn if the whole world starves for oil, as long as my people can live in security."

For him, holding on to the West Bank is vital to Israel's security. Mr. Begin, for his part, does not believe Egypt or the U.S. have the power to force Israel to accept a settlement which, in his view, would rob it of full military control over the West Bank and contain the seeds for the creation there of a Palestinian State.

Moscow mission considered by Islamic talks

BY DAVID HOUSEGO IN ISLAMABAD

THE ISLAMIC Foreign Ministers' conference in Islamabad was yesterday moving towards agreement on sending a delegation to Moscow to sound out Russian intentions over the withdrawal of troops from Afghanistan and on the possibilities of a negotiated political settlement.

Such an initiative would certainly put the Soviet Union in a difficult position. It has no wish to offend the Moslem world but has been lobbying strongly for the recognition of the Babrak Karmal régime in Kabul.

Soviet disapproval of the proposed mission was evident yesterday as states friendly to Moscow, such as Libya and Syria, were clearly dissociating themselves from the idea.

The proposal that a delegation of four or five Islamic Foreign Ministers should test the Russian reaction to the main demands of the conference—a withdrawal of Russian troops, recognition of the independence of Afghanistan, and the right of the Afghan people to choose their own Government—was put forward by Morocco.

The delegation would almost certainly have contacts with other Governments concerned with the conflict and would include Pakistan and Iran among its members. Exact terms of reference have still have to be docided.

Divisions remain over whether the group should have contacts with the Babrak Karmal regime. Morocco, for instance, is firmly against this and previous Islamic Conference resolutions prohibit relations with Kabul. But Pakistan and some Arab states favour a more flexible line, so long as such contacts are not taken as a step towards recognition.

It was announced yesterday that $25m raised by public subscription in Saudi Arabia was being donated to the Afghan refugees and that the Governments of Malaysia and the United Arab Emirates had also made contributions.

On Iran, differences of opinion among participating states were reconciled by what the spokesman called a "balanced" draft resolution adopted by the political committee. This spoke of the anxiety of the Moslem world at the recent U.S. attack on Iran and the threat of further aggression.

But it urged Iran to find a solution to the problem of U.S. hostages in Tehran in an Islamic spirit. It also called on the U.S. to refrain from actions that could impede any solution.

In a clear reference to the part played by Egypt and Oman in the hostage rescue attempt, the political committee condemned the setting up of foreign bases in somo Arab states.

Bigger state role urged on Mugabe

SALISBURY—A United Nations report yesterday recommended a big increase in state intervention in tha Zimbabwe economy. Suggested changes included the establishment of workers' committees in the mining indnstry.

Dr. Nathan Shamuyarira, the Information Minister, who presented the report, said the general thrust was in step with Government thinking.

The report was drawn up in 1978-79 at the request of Mr. Robert Mugabe, now Zimbabwe's Prime Minister, and his wartimo ally Mr. Joshua Nkomo. It said: "Puhlic intervention could go so far as to involve an almost complete takeover of ectivities in several sectors of the economy."

Land reform might need to be based on the principle of vesting ownership of absolute freehold title to all lands in the Government on behalf of the people.

The report criticised provisions, negotiated at Lancaster House, for compensation for dispossessed farmers. But Dr. Shamnyarira sai dthc Government did not intend to scrap compensation clauses in the constitution.

Mr. Bernard Chidzero, the Economic Planning Minister, said: "There is no reason for uncertainty."

The document was for open discussion and no precipitate or unconsidered measures were going to be taken. Reuter

Malaysian TUC split on new law

By Wong Sulong in Kuala Lumpur

LEADERS of Malaysia's Trade Union ongress are sharply divided over how to respond to recent labour legislation strengthening Government control of the unions.

Union leaders inthe private sector are in favour of a tough line against the Government, hut unions in the public sector are against taking a course which would jeopardise negotiations on a new pay rise for 750,000 civil servants.

The new labour law, passed by Parliament last month, gives wide-ranging powers to the authorities to deal with union leaders. Unions are banned from taking part in politics, many unions are prohibited from striking, and tighter regulations make it difficult for unions to press for industrial action.

Recrimination in the Malaysian TUC had led to an ultimatum from the Civil Service union federation to withdraw from membership unless the TUC's voting and leadership structure are reorganised within a month.

The civil Servants say they are grossly under-represented. They also condomn many TUC leaders for involvement in opposition politics. They are threatening to pass a no-confidence resolntion against Mr. V. David, the TUC's secretary-general who is also an opposition MP.

Seoul Cabinet quits as riots continue

BY RON RICHARDSON IN SEOUL

SOUTH KOREA'S Cabinet resigned yesterday because of its failure to control student demonstrations and rioting in the capital and elsewhere.

The Government is now entirely in tha hands of the President and the military leaders, who have taken sweeping powers under martial law imposed at the weekend.

An announcement yesterday said the 21 Cabinot members who had heen in office since December 14, had handed their resignations to the Prime Minister, Mr. Shin Hyon Hwack. He added his own nama and passed the list on the President Choi Kyu Hah.

The resignations ended several days of rumours that at least some Minister had wanted to step down on Saturday, immediately after accepting the army's demand for a widening of martial law.

Despite the military clampdown, rioting continued for a second successive day in Kwangju, the capital of South ChSolla province. The city of 700,000 people has been under a state of sioge since early Monday when up to 50,000 workers and students used rocks and sticks to battle with armed paratroops.

At least 10 deaths have been reported. Buildings and vehicles have been hurned and more than 500 people were arrested on the first day. Demonstrations against the extension of martial law and the arrest of the dissident leader, Kim Dae Jung, who is a native of the province, spread quickly when brutal methods employed against the students enraged families and friends.

Meanwhile, in Seoul, an attempt by the opposition New Democratic Party to hold a Press conference in defiance of a martial law ban on all political activity, was ended by troops who ejected about 50 journalists and sealed off the house of the party leader, Kim Young Sam.

In a statement, Kim called for the immediate lifting of martial law and the release of Kim Dae Jung

Opposition MPs were later prevented from entering the Parliament huilding which is guardod by soldiers and tanks. In protest, 48 resigned. Othor members are in hiding.

Moanwhile the Supreme Court has confirmed death sentences on Kim Jae Kyu, former director of the Korean Central Intelligence Agency, and four accomplices for the murder of President Park last October.

OECD forecasts milder decline

By Robert Mauthner in Paris

ECONOMIC GROWTH in the western industrialised nations is expected to decline less sharply than was thought only a few months ago, according to the latest provisional forecasts drawn up by the secretariat of the Organisation for Economic Co-operation and Development.

The forecasts, submitted to a meating of the orgainisation's economic policy committee, made np of high Treasury officials from the member countries, are for a growth rate of 1.25 per cent for the area as a whole in 1980, compared with predictions of a near zero rate at the beginning of this year.

The latest figures coincida with a relatively optimistic assessment of the U.S. economy by Mr. Charles Schultze, chairman of President Jimmy Carter's economic advisors, presented tn the committee yesterday.

According to Mr. Schultze, the current U.S. recession will not be very deep, and will last for a comparatively short time. Business investments in the U.S. were bolding up quite well, he said, while stocks remained at a reasonable lavel. A long period during which stocks are run down, as occurred during the last business cycle, would thus be avoided this time.

Mr. Schultze also predicted that consumer spending in the U.S. would recover fairly quickly as the result of an expected increase in real wages, thanks to a slowdown in inflation.

The OECD'a experts are now forecasting btat American GNP will decline by only 0.5 per cent in the current year, whereas a few months ago they were expecting a fall of 1.25 per cent.

If the growth ontlook for the western world is somewhat more favourabla than expected a few months ago, balance of payments prospects are much worse, though officials found some consolation in the fact that the strongest economies would bear the heaviest burden.

Following the succession of oil price increases by the Organisation of Petroleum Exporting countries, the OECD area as a whole is expected to have e current account deficit of some $75bn this year, more than double the 1979 shortfall of $30bn.

Blacks warn of more Miamis

At least 15 people are dead and 926 have been arrested. **David Buchan** in Miami reports on the aftermath of the worst race riots in the U.S. since the late 1960s.

"WHEN THE iron is hot, you can reshape lt." The Rev. Jesse Jackson was one of the black American leaders who converged on Miami as the worst race riot in the U.S. since the late 1960s, was still simmering. That was how he expressed his determination to exploit the Miami riot to elect a national response to black grievances.

The riot began on Saturday night, and yesterday morning there were still reports of sporadic shooting and fires. The toll was 15 dead, 926 arrested, an dover $100m worth of damage. The black leaders warned the riots could be repeated elsewhere this summer. President Jimmy Carter and the Federal Government must rein in abuses by predominantly white police forces and judicial systems across the country, they say. and pump aid and jobs into black gbettos—reversing the President'a much-heralded budget cuts.

Entering tha square mile of Miami's black ghetto, known as Liberty City—but which could now be termed Crystal City, from the shattered glass crunching underfoot everywbere—gives in these circumstances, an uneasy feeling, although doing so in the company of a black Washington Post reporter provided some reassurance. The riot sequence seems to have been: smasb the glass, lnot the goods and burn the building. The damage is all too stark. So is the tragedy of the local community. As happened all through the 1960s, in the Watts section of Los Angeles, Detroit, Newark, New Jersey, and on down tha rest of the riot roll, the businesses hit most were either owned by blacks or employed them. Even when the buses begin to run properly again in this city, older blacks will now have a long way to walk for basic groceries. Younger blacks wanting to go to work will have nowhere et all to walk.

Some 3,600 National Guardsmen have now been flown in to help police. Their presence is overbearing as they sit on the curfew roadblocks cradling their weapons, fighting off sunburn and the fear of sniper fire. An adjacent caravan park has its armed white vigilantes, while in a foray across the racial line a Ku Klux Klan cross was tauntingly planted outside the black church. Most of the 926 people arrested for looting were freed immediately after posting a bail bond, the authorities wisely avoiding an over-harsh clampdown. But less than exemplary were those white policemen who, having arrested some looters, went back and spray-painted their cars and slashed their tyres.

So far, the White House response has been limited. It despatched Mr. Benjamin Civiletti, the Attorney-General, down here to announce a second—this time Federal—investigation into the four white policemen acquitted last Saturday of killing a Miami black insurance salesman, Mr. Arthur McDuffie. That acquittal — televised as trials are in this State—touched off the tinder of black discontent. Next time, if there is one, the Attorney-General hinted that the trial would be held in Miami before a mixed-race jury, and not before an all-white panel elsewhere.

But, if the violence in Miami's ghetto was yesterday slowly kicking to a halt, it was due less to the palliatives offered by national politicians, black or white, than to sheer exhaustion and simple military force. The anger has not subsided. Mr. Andrew Young, the former United Nations Ambassador, found that out when his call for peace and order was drowned out at a rally on Monday.

Miami has undoubtedly suffered a body blow to its standing as a tourist and business centre—attracting holiday-makers from Britain and investors from Latin America. The Miami Herald noted worriedly yesterday that such newspapers as the Financial Times, which six months ago devoted a supplement to this business boom, were now writing about the new racial chaos. On the other hand, many foreign investors in Miami, especially from Latin America, are unlikely to be dismayed by conditions still better than in their own country.

Phoenix-like, Miami can rise again—because of the paradox that it has been hit so hard this time. The impact of the riots inL liberty City temporarily shut the whole of downtown Miami. Thus the business community has cause for concern about the racial tension and rebuilding the black areas. One business luminary, Mr. Frank Borman, head of Eastern Airlines, took part in a community discussion about the rioting and its aftermath on Monday, and there is some hope that major companies with headquarters here may chip in.

Every U.S. riot this century has been triggered by some sort of police action, according to Dr. Mary Berry, vice-chairman of the U.S. Civil Rights Commission, who says that Miami this month conformed to the pattern (one could also add the Bristol disturbances in Britain last month).

A symbol of the neglect of their race—many blacks feel—has been the apathy or hostility from the Federal and local Governments towards black Haitian refugees washed up on south Florida shores since the early 1970s. There are 10,000 to 20,000 Haitians in the area—no one knows exactly, because many are still illegal aliens. Their illegal status is precisely the problem. U.S. blacks do not get on very well with the Haitians, who speak a patois all their own, and almost no Haitians took part in the rioting. But local blacks take it as a racial slight that arms should open for the white Cubans, while black Haitians get the cold shoulder. Mr. Young, still a supporter of President Carter, said he had been trying for months to use his influence in the White House to get the Haitians e better deal.

As for the Carter Administration, Mr. Young claims: "It has not been insensitive to the poor," but it must make more public noise about what it has done for the poor in general, and blacks in particular. Other black leaders flatly disagree, and say the White House has to do something to create more public sector jobs, if private industry cannot provide, for black 18-24-years-olds, who took a major part in the rioting. Their unemployment rate is three times that of their white counterparts. The Rev. Mr. Jackson maintains that there is "no significant difference" between Miami and such other big cities as New York, Chicago, St. Louis, Los Angeles and Philadelphia. Whether the U.S. is now in for a 1960s-style long hot summer is the $100m question.

Frightened Miami children after the fighting

U.S. growth rates revised downward

By Stewart Fleming in New York

THE GROWTH of the U.S. economy in the first quarter was more sluggish than previously reported, the Commerce Department disclosed yesterday when it issued revised gross national product data.

In a revised report, the Department said that U.S. real output of goods and services rose at a seasonally adjusted annual rate of 0.6 per cent in the first quarter compared with the earlier estimate of 1.1 per cent.

The Departmnet also revised down to 9.3 per cent from 9.5 per cent its estimate of the GNP-based measure of the inflation rate.

Separately, the Department confirmed the squeeze that has begun in the corporate sector under the influence of rising costs and weakening economic growth.

First quarter after-tax corporete profits rose a seasonally adjusted 9.5 per cent, well below the inflation rate in the quarter.

The Department estimated that after-tax profits rose to $155.5bn (£68bn) at an annual rate, compared with $148bn in the fourth quartre.

But much of the increase reflected stock valuation. Pretax corporate profits, adjusted for the effects of inflation and depreciation and stock values, fell 2.6 per cent to an annual rate of $171.8bn.

Six die around U.S. volcano

VANCOUVER, Washington State—As grit sifted down on cities bundreds of kilometers away, dozens of residents were evacuated yesterday from towns around Mount St. Helens, the volcano that erupted in south western Washington Stete on Sunday. as rising waters built up behind a fragile mnd dam at the base of the volcano.

At least six people were known to bave died folowing the eruption of the mountain.

Much of eastern Washington ground to a standstill yesterday and the Columbia River between Oregon and Washington was closed to ship traffic because it was blocked by a 25-foot-high layer of mnd.

Residents rebel as new Love Canal chemical dump tests raise alarm

BY DAVID LASCELLES IN NEW YORK

THE SCANDAL over the Love Canal chemical dump site near Niagara Falls in upstate New York flared again this week following fresh revelations of the damage that seeping chemicals have caused to local residents.

With local anger and concern no wspilling over into violence, the anthorities are faced not only with a social problem but also a major test of environmental policy.

The latest wave of alarm was triggered by a report released at the weekend by the Environmental Protection Agency (EPA) which showed that of 36 Love Canal residents tested by geneticists, 11 bad chromosome damage. This is said by experts to be far above average, and though the connection between such damage and cancer bas not been conclusively proved, the test results have created much anguish among local families.

Because of this, the EPA says it may now bave to order the relocation of 710 families living near the toxic waste site, in addition to the 239 wbo have already moved out, at a cost of anything from $3m to $5m (£1.3m to £2.2m).

However, on Monday, residents took matters into their own hands by seizing two environmental officials and locking them up in their local residents association office for five bours, demanding that they be relocated immediately. The officials were eventually freed by the Federal Burean of Investigation (FBI), but not before the residents had mounted a spectacular protest which inclnded burning their mortgage papers.

The Love Canal scandal first came to light two years ago when seepage from a former chemical tip used by the Hooker Chemical Company forced the local anthorities to declare an emergency. The site was an abandooed canal project which had been designated as a rubbish tip in order to get it filled in again. A school was later built over the site.

New York State last month filed a snit against Hooker Chemical, charging it with dumping 21,000 tons of chemical waste in Love Canal between 1942 and 1953 and seeking $635m in damages. Earlier, the Federal Jnstice Department, acting on the request of the EPA, filed a suit for $124m.

Hooker, a subsidiary of Occidental Petroleum since 1968, claims the anthorities are trying to sensationalise the Love Canal affair, and says it will fight the suits. It argues that it has bad no control over Love Canal for 27 years, and that its use as a chemical waste site was made clear wben the land was banded over to the local education Board in 1953.

In response to the report of chromosome damage, Hooker said this week that "to draw any conclusions or teke any precipitous action based on these inadequate findings would be unwarranted and a disservice to the residents of the Love Canal area."

Japanese gain contracts for Scandinavian rigs

BY FAY GJESTER IN OSLO

NORWEGIAN AND Swedish interests hve ordered three new offshore platforms from Japanese yards—a setback for Norwegian fabricators who were reportedly in the running for all three orders.

Oslo officials say that the Japanese won the contracts—for two drilling rigs and one hotel platform—because their tenders were 20 to 25 per cent below European prices, and they could offer more flexible delivery times. The two drilling rigs have been ordered by a consortium in which the Swedish concern Consafe, a Volvo subsidiary, has the largest single share. Another partner will be Norcem, the Norwegian producer of cement and building materials, which also has oil interests.

The composition of the rig-owning consortium is not yet finalised, and there are openings for additional foreign and Scandinavian partners.

Preliminary contracts for the two drilling rigs, for delivery in March, 1981, have been concluded with Mitsui and Hitachi. Final contracts are scheduled to be concluded by June 20. The units will be of the large "pacesetter" type with deck area of 1,500 square feet each.

The hotel platform has been ordered from Motsui by Einar Rasmussen, a shipping concern, for a reported price of about $60m, including the cost of towing to the North Sea. The company says it has been designed to meet all the new safety requirements laid down by Norway's authorities since the Alexander Kielland accident.

The rig, which will be an adaptation of the "pacesetter" design, will have specially strengthened struts abel to hold the supporting pillars together even if one strut should be seriously damaged. Equipment will be installed to warn of cracks developing in the hull. In addition the rig will be designed so that is cannot capsize, even if one of its main elements should be seriously damaged or torn off.

It will have accommoddation for 500 in two-bed cabins, plus work shops, storage compartments and two cranes—one to handle 100 tonnes and one for 40 tonnes.

Rasmussen is currently operating the hotel platform "Polymariner" on the Statfjord field.

● Norsk Data, a Norwegian electronics company, has concluded research and development agreements with two U.S. oil companies which could bring the company valuable future contracts for its computers.

In one deal, Mobil is providing NKr 20m (£1.8m) to finance research aimed at developing methods and computer programmes for oil reservoir simulation. The money is being allocated jointly to Norsk Data (50 per cent) and two other Norwegian research bodies. As part of the agreement, Norsk Data will develop a version of its Nord 500 computer system large enough to simulate e field the size of Statfjord.

Under the second agreement, with Atlantic Richfield (Arco) Norsk Data and three Norwegian partners will seek to develop e complete system of processing seismic survey data. This project will cost NKr 15m, of which Arco is providing NKr 10m. Norsk Data's partners here are GECO, tha Norwegian seismic survey company, and the universities of Tromso and Trondheim.

Citroen opens first car plant in Morocco

By Our Rabat Correspondent

THE FRENCH car manufacturer Citroen is launching two new assembly lines in Morocco to produce thousands of basic small-engined cars and a diesel-engined saloon.

The first plant inaugurated last week in Casablanca will have an annual capacity of 300 Citroen CX model saloons with diesel engines. Another 500 of the same model are to be produced in a second plant, in Tangier.

By the end of next year the Tangier plant is also due to start making the new economy car provisionally called the Faf, an acronym for the French phrases "facile a fabriquer, facile a financer et facile a faire."

Powered by a small petrol engine, the Faf is derived from the Citroen "Deux Chevaux." Five models are to be produced, a military version with four-wheel drive, a 450-kg pick-up, a van and two saloons with three or five doors.

The production target for the Faf is initially 1,00 a year rising to 10,000 depending on the market demand.

Two new companies have been set up to operate the ventures and they plan to invest about £5m in a first phase. Citroen Construction, with capital of about £1m (half Morocan and half French) will operate the assembly line. Citroen Outillage will make spare parts and components, like gears, besides being responsible for worker training programmes.

It is the first venture of its kind to compete with the Casablance concern Societe Marocaine de Constructions Automobiles (SOMACA) which so far has had a virtual monopoly of the small car market. SOMACA assembles Fiat, Renault, Opel and Simca-Talbot cars.

Diesel-engined saloons have been chosen because diesel fuel is heavily subsidised in Morocco and retails for nearly a third of the price of petrol. Tangier was chosen for the plant site because it is in an area where new investments enjoy more generous fiscal and other advantages under the investment codes.

Under the accords with the Government, Citroen will by the end of 1983 be obliged to re-export 60 per cent of the value of ckd (completely knocked down) components imported for the assembly lines.

Mexico seeks W. German links

BY ROGER BOYES IN BONN

PRESIDENT José Lopez Portillo of Mexico yesterday held wide-ranging talks with West German leaders and top businessmen, aimed largely at boosting German infrastructural investment in Mexico and reducing the country's trade deficit with Bonn.

West Germany is unlikely, however, to seal any kind of oil pact with Mexico at present, certainly not at governmental level. Although Bonn has been eager to strengthen links with new crude producers, Mexican oil is considered by officials to be too expensive, both in terms of barrel price and transportation costs. In any case, the amounts available for export to Europe are negligible.

However, both countries have expressed e desire for closer co-operation in joint exploitation of mineral deposits and the use of Mexican raw materials in chemical concerns built with German know-how. This is clearly where much future German investment in Mexico will go. It was announced yesterday, for example, that Polioles of Mexico—57 per cent owned by the Mexican Alfa Group and 40 per cent by the BASF German chemicals concern—is planning to build two plastics factories on the Mexican coast. The total investment costs of the plants will reach DM 150m, and they should be on stream in three years time, producing polystyrol and e product for polyurethane.

President Portillo, who talked with Chancelor Helmut Schmidt and Count Otto Lambsdorff, the Economics Minister, is also interested in cutting Mexico's hefty deficit with Germany. Germany imported only DM 440m worth of goods — mainly foodstuffs and some half-finished products—but exported DM 1.5bn to Mexico last year.

Indonesia to re-equip armed forces

BY RICHARD COWPER IN JAKARTA

INDONESIA'S Minister of Defence, General Mohammud Jusuf, announced yesterday that the air force was to get three new squadrons of fighters, bombers and trainers, while the navy was to be re-equipped with corvettes, submarines and other craft.

The anouncement comes as Indonesia embarks on e major new buying programme to replace ageing and often defunct military equipment brought in hy the Soviet Union in the late 1950s and 1960s.

The current military equipment spending programme has been brought to fruition by Indonesia's new dynamic Minister of Defence, Gen. Jusuf. Appointed just over two years ago, his campaign to turn Indonesia's armed forces into a modern fighting force is now beginning to pay off.

The Indonesian air force took delivery earlier this month from the U.S. of the first eight of 16 new F5-e Tiger Two fighter interceptors. Equipped with guided missiles, the remaining eight are due to arrive in Indonesia in July. On order also from the U.S. are 16 A-4 Skyhawk ground ettack fighters. Capeble of delivering bombs, the current plan is that they should arrive some time later this year. Britain will deliver at least eight Hawker Siddeley Hawk ground attack trainers to tbe Indonesian air force later this year.

Indonesia is also revamping its navy. It has already taken delivery from Holland of one corvette equipped with French guided missiles, and expects to receive two more by the beginning of next year. On order also are two submarines from West Germany, while South Korea has an order to build patrol ships which, like the Corvettes, are also fitted with guided missiles.

When these purchases are completed, Indonesia will heve a smaller bnt more effective navy than it did under the Soviets in the early 1960s. "It won't be a blue sea fleet," says one naval expert, "but it will be ideal for helping to maintain internal security within Indonesia's own very large waters."

Since President Suharto came to power in 1965, the Indonesian Government has concentrated most of its energy and its money on getting the economy moving. Despite the fact that the military has never been more powerful than it bas been under Suharto, himself a general, until this year there had been little official Government spending on new military equipment for well over a decade. This state of affairs undoubtedly seriously demoralised many in the armed forces, but General Jusuf's new programme signals the end of what one Indonesian officer called "the darker years for our armed forces."

Pertamina signs $41m oil exploration deals

BY OUR JAKARTA CORRESPONDENT

INDONESIA yesterday signed three oil production sharing contracts with two foreign oil companies for exploration of oil and natural gas in the South China Sea, East Kalimantan and Central Sulawesi.

The contracts, signed with Total of France and Union Texas of the U.S., specify that the two companies must spend a total of not less than $41m (£18m) on exploration in the first six years. The companies have also agreed to pay Pertamini, the Indonesian state-owned oil company, which will ect as e partner in the three contracts, some $11.4m in signature and production bonuses.

The three contracts, which were signed by Mr. Piet Haryono, director of Pertamina, and Dr. Subroto, the Minister for Mines and Energy, stete that all exploration costs sball be borne by the contractor. Pertamina will receive 85 per cent of the production after deductions for costs and operating expenses. According to Dr. Subroto, the new contracts bring the number signed this year to six, following the signing of eight last year.

Of the three contracts signed yesterday, two were with Total. The company has heen awerded a 5,000 square kilometre hlock to explore end exploit oil in the Natuna area in the South China Sea, and 905 square kilometres offshore in Sepesu in East Kalimantan, while Union Texas has been awarded 5,700 square kilometres onshore and offshore off Tomiri Island in Central Sulawesi.

Total will spend $15m on exploration in the Netuna Sea and $11.5m in Sepasu, whilo Union Texas has agreed to spend at least U.S.$14.5m on and around Tomiri. In the event of a contractors' oil share exceeding 175,000 harrels of oil per day in a given area, the foreign company is obliged to turn over 10 per cent of its share for processing in Indonesia.

The new contracts are a reflection of a major revival of interest in the Indonesian Archpelago by foreign investors during the past 12 months. Some oil executives are now comparing it with the hoom days prior to the collapse of Pertamina in 1975, when the Government was forced to bail the company out of debts of around $10bn. The revival got under way last year, wben five foreign oil companies committed themselves to spending over $300m on exploration over the next decade in the biggest exploration deal in Indonesia's history.

According to Mr. I. R. Trisulo, Pertamina's director for exploration and production, at least four more production-sharing contracts should he aigned before the year is out. Indonesia spent eronnd $380m in exploration in 1979, but, according to Mr. Trisulo, this year it should increase by around 140 per cent to about $600m.

The result of all this new ectivity is that Indonesian oil production, which will decline for the third year running in 1980, will now start rising again next year. Production this year is expected to reach 565m harrels, and is projected to rise to 575m barrels in 1981 and to around 670m barrels in 1985.

Canadian credit offer to Australia

BY PATRICIA NEWBY IN CANBERRA

CANADA HAS offered *Australia* e C$10m (£3.7m) line of credit to finance up to 85 per cent of the sale price of Canadian capital goods and services purchased by Australian companies.

Mr. Ed Lumley, the Canadian Trade Minister, announced the credit line, the first of its kind between the two countries, in Canberra yesterday.

Mr. Lumley is leading a 40-member trade delegation on a 10-day visit to Australia to promote Canedian manufactured exports, to investigate joint-venture and licence agreement possibilities between the two countries and for third markets in *Sontheast Asia* and to promote Canadian expertise in the resource and infrastructure projects planned for Australian in the 1980s.

The credit line will be established between the Canadian *Export Development Corpora*tion (EDC) and the Australian Industry Development Corporation (AIDC), which between them will determine on a case-by-case hasis individual financing proposals.

However, it is expected that the credit line will be used mainly to assist Austrelian companies engaged in the resource, infrastructure and industrial development projects planned for the next decade to take edvantage of Australian cheap, coal-powered electricity.

As part of its effort to secure resource development contracts in Australia, Canade is expected to open a trede commissioner post in Parth, Western Australia, within tbe next year to complement its offices in Sydney, Melbourne and Canberra.

Mr. Lumley told a Press con*ference in Canberra yesterday* that there was vast potential for Australia and Canada, two developed, bnt relatively small economies which did not belong to a trading black, to enter joint ventures within their own countries and in third markets.

Canade could be a base for marketing the jointly-produced product in North and South America and Africa where it had established markets. Australia, in turn, could be used as a springboard for sales to Sontheast Asia, especially the rapidly expanded economies of the Associetion of Southeast Asian Nations (ASEAN).

The delegation includes Government officials and representatives of 33 Canadian businesses, some of whom have already negotiated deals with Australian companies.

Scotch faces more barriers

By Lisa Wood

SCOTCH whisky exporters now face e total of 434 trade barriers compared with 348 a year ago, the Scotch Whisky Association said yesterday.

Mr. Ian Coombs, chairman of the association's information committee, said the increase in the barriers to trade was "one of the problems of a world recession." Countries feced with economic problems looked for ways of restricting imports and they tended to look at products such as Scotch whisky fairly early on because it is regarded as a luxury product.

The association is particularly upset by new moves in Denmark to maintain its barriers and is esking the UK Government and the European Commission to back its protest.

'Urgent need' for completion of Isle of Grain

BY JOHN LLOYD

THE CONSTRUCTION of the Isle of Grain power station in Kent was necessary to "maintain the credibility of the construction industry," Mr. Glyn England, chairman of the Central Electricity Generating Board, said yesterday.

Addressing the national industrial conference of the Electrical, Electronics, Telecommunications and Plumbing Union, Mr. England said: "There is an urgent need for the UK'a large power plant construction industry to demonstrate that it can build to a reasonable programme and to reasonable cost.

"There is a need to re-establish a reputation which has been severely handicapped in recent years." If it was not re-established, "we shall all be the poorer."

The electricians' union has agreed, along with other major unions on the Isle of Grain site, to carry on the construction of the station, using insultation engineers or laggers to replace the 27 members of the General and Municipal Workers' Union who are in dispute over bonus payments.

The GMWU has threatened mass picketing of the site, but is to await the results of a TUC attempt to settle the issue.

Mr. England stressed later that the CEGB would stand by its threat to close down the site—with the loss of 1,400 jobs—if there was a further strike.

And be denied that the CEGB was indifferent to whether the station was finished or not. He said it would burn oil much more efficiently than older stations.

On the future of the British power plant industry, Mr. England said the CEGB had assisted the industry by early ordering of the Drax B and Heysham power atations, by retiring old plant and commissioning new, by ordering a large quantity of spares and by boosting the companies export efforts.

But tha low level of forecast demand for electricity—under 1 per cent a year to 1985—had serious implications for domestic ordering.

"If we were to order new plant only on the basis of demand without taking old plant out of service, we would need to order for the next 10 years," said Mr. England.

LARGEST FREIGHT OPERATOR ANNOUNCES REDUCED PROFITS

NFC urges fast denationalisation

BY LYNTON McLAIN

THE STATE-OWNED National Freight Corporation, which the Government wants to denationalise, should be formed into a limited company "as soon as possible after the Transport Bill becomes law," Mr. Robert Lawrence, its chairman, said yesterday after announcing reduced trading profits of £20.2m said.

The corporation is the largest freight operator in Britain, with gross receipts of £432.1m last year (£406.7m in 1978) and 8 per cent of the road haulage market.

It has supported fully the Government plans to change its status. But this is the first time the corporation has openly urged the Government not to delay denationalisation plans. The change is needed "for the health and long-term viability" og the business, Mr. Lawrence last year.

He expects the Government to proceed with the first stage of denationalisation, formation of the limited company, in early autumn, possibly September.

At the same time, the Government plans to write off the corporation's £100m of capital liabilities to the Transport Minister. Just over half of this, £50.4m, is capital debt inherited when the corporation was formed 11 years ago. The rest, £49.6m, is in Government loans.

The second, final, stage of deoatiooalisation involves sale of a majority of shares in the new company, to the public and the corporation's 35,922 employees. It will probably not be recommended by the corporation until "sometime next year," Mr. Lawrence said.

The final decision about timing the share sale will be taken by Mr. Norman Fowler, Transport Minister.

But the corporation said yesterday timing will depend on the state of the stock market and on the corporation's performance at a time when the general — haulage sector — accounting for 40 per cent of the NFC's receipts — is more depressed than at any time since 1975, when the corporation made a record net loss of £31m.

Mr. Peter Thompson, NFC chief executive, warned yesterday of the evidence of an increase in the number of bankruptcies in smaller haulage companies.

The *NFC* lost £1.5m trading profit because of the 13-week steel strike at the start of the year, on top of poor trading conditions which kept final results well below forecast targets.

The forecast trading profit of £26m-£27m was cut by more than £6m hacause of the five-week strike by lorry drivers in January, 1979, and delays by the Price Commission in approving proposed rate increases to haulance a 20 per cent wage settlement.

Nevertheless, final results—a net profit, after £8.1m interest to the Government, of £2m compared with £300,000 in 1978—reflected the success of the corporation's policy of diversification away from the highly competitive general-haulage sector.

But within the corporation as a whole, the main operating companies produced very mixed results last year.

British Road Services and National Carriers increased their trading and net profits hut Roadline UK, the parcels delivery group, recorded a net loss of £5m compared with a net loss in 1978 of £700,000.

The strike by drivers in the road-haulage sector in January, 1979, was blamed for the poor results. Parcels-traffic handled by tha corporation as a whole fell by 18 per cent last year, with private-sector companies winning much of the lost business.

Pickfords Removals and Travel Group also reported lower trading profits, down £100,000 to £2.6m hot othar groups and companies improved their performance with a £1m trading profit, up £200,000 on the previous year.

More than half o fthe £20.2m trading profit — £10.3m — came from the British Road Services Group, largest of 12 main operating companies. BRS had gross receipts of £153.3m, up 20 per cent on 1978 when receipts yielded £8.7m trading profit. Net profit was £3.4m compared with £2.5m in 1978.

NATIONAL CARRIERS made a trading profit last year of £4.3m on gross receipts of £113.4m, compared with £2.8m on receipts of £99.8m the previous year. The net profit in 1979 was £1m.

Contract services provided the backbone of the growth in National Carriers last year and prodnced revenue of £12m, douhle the 1978 revenue.

● The NFC plans to invest £5.5m in mechanisation of parcels depots over the next two to three years, Mr. Thompson said yesterday, et the opening of its first computer-controlled and fully automated parcels-handling hranch at Eastleigh, Southampton, operated by Roadline. He said the parcels industry would be dominated by only four to six companies by the end of the decade.

NATIONAL FREIGHT CORPORATION

RESULTS SINCE ITS FORMATION IN 1979

	£m Gross receipts	£m Trading profit/loss	£m Net profit/loss
1969	173	−13.1	− 2.9
1970	196	− 7.3	− 1.2
1971	203	+ 0.8	− 1.6
1972	212	+ 2.2	+ 1.2
1973	235	+ 3.7	+ 0.2
1974	277	+ 0.5	−15.8
1975	304	− 9.2	−31.0
1976	338	+ 4.4	−15.3
1977	387	+12.4	−10.8
1978	407	+20.8	+ 0.3
1979	432	+20.2	+ 2.0
1980 forecast	NA	+25.0	NA

NA = Not available

Haughey to press for role in N. Ireland

By Stewart Dalby

ONE THE EVE of his first fulllangth meeting with Mrs. Thatcher today, Mr. Charles Haughey, the Irish Prime Minister, has reiterated his determination to convince her that Dublin should have a greater say in resolving the Northern Ireland problem.

Mr. Haughey said: "We will all have failed the people of Northern Ireland if we leave them very much longer in this tragic situation.

"I am going into this meeting keenly aware of the very serious responsibllities, of the realities and of the difficulties, hut I am also determined to produce every possible constructive suggestion I can to ensure that at least a door is opened towards a solution."

The initiative by Mr. Humphrey Atkins, the Secretary of State for Northern Ireland, to move towards political devolution, was described by Mr. Haughey as acceptable hut not going far enough. A White Paper is expected in a few weeks. Mr. Haughey helieves the only solution is Government-to-Government talks.

Insurance brokers told to 'take their coats off'

BY TIM DICKSON

INSURANCE hrokers were told yesterday to "stop moaning" about commission, and "get their jackets off."

Contrary to the current battlecry of the British Insurance Brokers Association (BIBA), there is little evidence to support the claim that brokers are pulling or will pull out of life insurance unless life companies pay more, Mr. Peter Bullough, assistant general manager (marketing) of Scottish Provident told a seminar.

"I think the association are out of touch with their rank and file membership in preaching that particular gospel," he said.

Mr. Bullough emphasised that Scottish Provident believes in the insurance broker, and that the company's relationship with him is "second to none."

But, "it is so frustrating to sit on the touch line, and watch the insurance broker miss opportunity after opportunity, either because he does not hava the professionalism, the sales expertise, or just simply tha guts to get up and chase the business.

"Nobody gets rich waiting for it to happen—they have to make it happen."

As to whether Scottish Provident could write life husiness without insurance brokers, Mr. Bullough quoted the example of Ireland.

"Four or five years ago 80-85 per cent of our business from the Republic of Ireland came from insurance brokers. Today, the total is just 33.6 per ceot. In the meantime, the country has rejected a commission agreement, and a commission war has been raging for a number of years."

Mr. Bullough said although Scottish Provident stopped heing a broker office in the Repuhlic, "today we are writing more business there than ever."

Attack on housing cuts

BY ANDREW TAYLOR

THE GOVERNMENT's decision to single out housing as the main area for public spending cuts has been criticised by the Royal Town Planning Institute.

The Institute, in a letter to Mr. Michael Heseltine, Environment Secretary, says that there is a continuing need for rented housing which "cannot be met from re-lets of existing stock nor from expansion in private sector renting."

It said that the Government had assumed that local authorities could overcome cuts hy selling their housing stock. But building society funds nsed to finance council house purchase would be at the expense of the private sector.

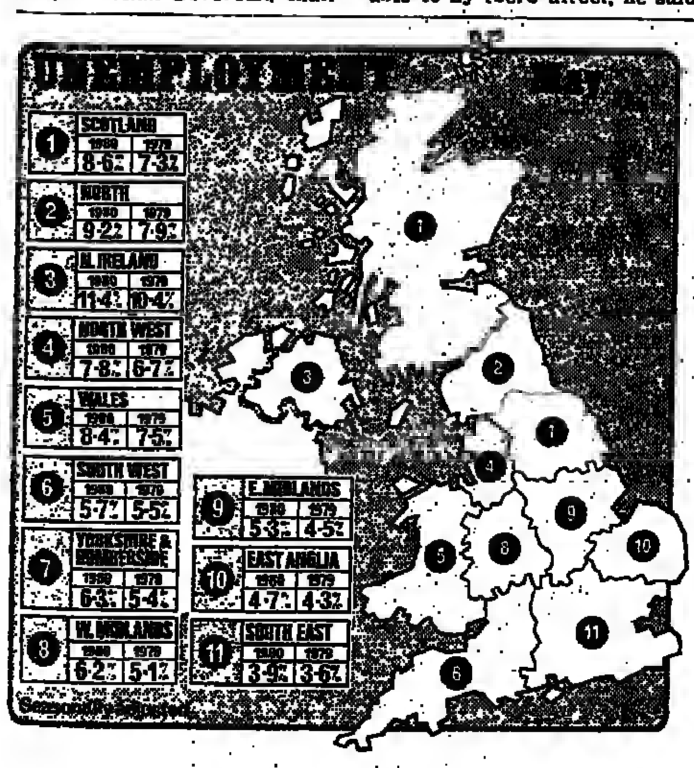
"Many of the larger local authorities still have significant slum clearance programmes which are dependent on new building to provide replacement accommodation. If the Government's policies are implemented, slum clearance may virtually come to an end," says the institute.

Scotland 'missing out on tourism'

BY JAMES McDONALD

SCOTLAND is missing out on millions of pounds of visitors' cash because of inadequate direct air services from overseas, Mr. Alan Devereux, chairman of the Scottish Tourist Board, said in Ayrshire yesterday.

Only about 120,000 of Scotland's overseas visitors were able to fly there direct, he said.



Job cuts hit South less

REGIONAL unemployment differences in the UK have become more marked with the overall rise in the jobless total since the autumn.

In the eight months since September, when the upturn in unemployment began, the number of the adult workforce without jobs has risen by 17.5 per cent. The increase has been much larger in areas in the North and Midlands with a concentration of manufacturing industry, and lower in the South, where the consumer and service sectors are more important.

The increase in unemployment in the East Midlands has reached nearly 25 per cent, while the West Midlands, Yorkshire and Humberside and the North West have all recorded rises of more than 20 per cent.

Above-average rises have also been registered in the North and in Wales, while in the South of England, the increases have been relatively moderate. Under-average rises have, however, been recorded in the areas with the highest unemployment rates in the UK—Scotland and Northern Ireland.

UK NEWS

Recovery for unit trusts

BY TIM DICKSON

UNIT TRUST sales increased significantly last month but net new investment is still historically low.

Sales in April amounted to £31.3m—compared with £25.8m in the previous month, while the value of units cashed in at £27m was considerably lower than the record £33.9m in March.

Net new investment of £4.3m showed a reversal over the previous month's £8.1m net repurchases (units cashed in) and roughly reflects the pattern of 1979 when average net monthly sales ran at just under £5m. In earlier years, however, the figure has been much higher.

Mr. Cholmeley Messer, chairman of the Unit Trust Association said yesterday: "I don't expect to see a terrific take off in unit trust sales until the present conditions change."

Unit trust managers are generally optimistic about the outlook for the rest of the year with many of them pinning their immediate hopes on the likely sales boost from gilt unit trusts. Following changes which have been incorporated in the Finance Bill, many unit trust groups are expected to launch such funds in the next few months.

A quarterly review of unit trust statistics published yesterday for the first time by the Unit Trust Association showed that in the first three months of 1980 net "direct" repurchases amounted to £28.99m while net new "linked" sales came to £19.87m, leaving net repurchases for the whole industry of £9.12m over the first quarter.

Talbot cuts Linwood workforce by 1,300

BY RAY PERMAN, SCOTTISH CORRESPONDENT

TALBOT UK is cutting the workforce at its Linwood plant in Scotland by a further 1,300 as a result of falling car sales and increased competition between manufacturers.

The company told unions yesterday that the redundancies would take effect in mid-August, bringing employment at the plant down to 5,200.

Production will be reduced slightly from 1,700 vehicles a week—which is 500 below the figure last December when the night shift was ended with the loss of 1,250 jobs.

Talbot blamed the general state of the UK car market, rather than the performance of the workers. Linwood has improved productivity and industrial relations markedly since the transfer of ownership from Chrysler to the French group PSA Peugeot-Citroen.

Sales in Britain were down 30 per cent in April, compared to a year ago and competition between manufacturers is intense, with many offering substantial discounts or other incentives.

Against this background the company said, it was essential to improve productivity and quality at Linwood and to bring the production programme of the Avenger and Sunbeam cars it makes into line with sales forecasts.

Linwood has been told by Mr. George Turnbull, chairman of Talbot UK, that it must break even this year. A decision on what model, if any, will replace the Avenger, one of the oldest cars in production in Britain, is likely to be made towards the end of the year.

A small front wheel-drive car has been talked about, but there are no firm plans. It would be at least two years before it could be introduced.

Mr. John Carty, shop stewards' convener, said the workforce was dejected and disappointed by the redundancy announcement.

"We see it as a direct result of *Government financial policies*, and the import of foreign cars into the UK. It is a disgrace that over 50 per cent of new car registrations are foreign.

"We are definitely not opposed to improving productivity or quality, but we are obviously worried about the future of Linwood. You can't go on making the same models for ever and a day, and we need some form of positive commitment from the company in investment, in new equipment, or new models."

Mr. Jimmy Milne, Scottish TUC general secretary, said the Talbot redundancies and yesterday's jobless figures aggravated the grave unemployment situation in the West of Scotland and added to Scotland's de-industrialisation.

Approval sought for £500m project

By Sue Cameron, Chemicals Correspondent

THE U.S.-BASED Dow Chemical is about to apply for outline planning permission to build a £500m ethylene plant on the Cromarty Firth in Scotland.

The application will suggest positions — but not request permission to build—for "four or five" other chemical plants on the same site, all using ethylene as a raw material.

The whole projected petrochemicals complex at Cromarty depends on Government approval of a new North Sea gas-gathering pipeline. A feasibility study of the proposed pipeline completed by the British Gas Corporation and the U.S.-based Mobil has not yet been officially published.

The study is believed to say that as much as 1.5bn cubic feet a day of methan — the natural gas used for power and heating — could be brought ashore through the proposed pipeline by the late 1980s. The line would also carry natural gas liquids — ethane, propane and butane — which could be used as raw materials

The ethane stream would be used to make ethylene, the so-called building block of the chemical industry used in making a wide range of things, including plastics and solvents.

Dow's proposals for the Cromarty complex, using North Sea gas as a raw material, have aroused strong opposition from UK-based chemical companies, chiefly BP Chemicals, Shell Chemicals UK and Imperial Chemical Industries.

Dispute unlikely to stop ITV's Derby coverage

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

INDEPENDENT Television's coverage of the Derby next month is unlikely to be stopped in spite of the legal wrangle between Thames Television and the Office of Fair Trading over exclusive coverage of some televised racing.

The office has declared void a £2m agreement Thames Television and United Racecourses for three years exclusive coverage of racing from Epsom, Sandown Park and Kempton Park. This means that if Thames goes ahead with its planned coverage of the Epsom meeting in two weeks' time under the existing agreement, it could be operating unlawfully.

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But the OFT last night seemed unwilling to take any special action to prevent television coverage of the Derby. Instead, if Thames Television goes ahead and operates the restrictive agreement already declared void, then legal action would subsequently be taken.

Thames Television said last night that "in counsel's opinion, the OFT will not have any grounds for preventing television coverage of the Derby by ITV."

The row is the second in the past year involving Independent Television's attempts at exclusive sports coverage. A year ago, a restrictive agreement between London Weekend Television and the Football League for television coverage of league games was also declared void by the OFT. Subsequently, a joint agreement involving LWT and the BBC was signed.

The latest dispute became public on Monday when the office placed on the Register of Restrictive Practices the agreement between Thames and United Racecourses. Because the agreement had not been notified to the office as both parties are obliged to do under the Restrictive Trade Practices Act 1976, the agreement was automatically declared void.

If the office had been notified of the agreement, both parties would have been able to operate it until the Restrictive Trade Practices Court had ruled otherwise. Restrictive trade agreements are not in themselves unlawful—until ruled otherwise by the court—and a number of new agreements are placed on the Register each Monday by the office.

The BBC, for example, notified the office of its agreements concerning televising of Rugby League football and Test cricket, and was thus able to proceed with these exclusive agreements. If the office subsequently wants to challenge the exclusivity of such agreements, then it has to present its case to the Restrictive Practices Court for it to decide.

Thames Television has pointed out that it is not preventing the BBC from televising the Derby since both television channels agree that such major sporting events cannot be exclusively covered. The BBC, however, has decided against covering the Derby since it would cost too much to televise just one race from Epsom.

New fire regulation on storing furniture

NEW REGULATIONS for the storage and display of upholsterad furniture in shops are to be hrought in by the Government. Mr. William Whitelaw, Home Secretary, said in the Commons yesterday he would implement tha recommendations made by the Central Fire Brigade Council sub-committee, which has been investigating the fire at the F. W. Woolworth store in Manchester last year when 10 people were killed.

Mr. Whitelaw said: "Suitable regulations should be made under section 12 of the Fire Precantions Act 1971 to control the display in shops and department storea of polyurethane foam-filled furniture."

Rail closure plans

BRITISH RAIL is about to announce plans to close three urban and rural railway services in Yorkshire and Scotland—Glasgow to Kilmalcolm, Huddersfield to Clayton West, and Sheffield to Panistone. A further 40 or more services may also be considered for closure unlas the Government and local authorities provida increased financial support.

The British Railways Board can propose linas for closure if it cannot justify continued operations because of mounting losses. The three lines affected are expected to need £1m of support this year, but tha Yorkshire local authorities have refused to provide aid. The Glasgow anthorities will provide aid nntil January next year.

Executive cars

● In yesterday's Executive Car survey some of the captions were unfortunately transposed. The captions for the Ford Granada and Ford Cortina were transposed as were those for the Datsun Laurel and the Colf Sapporo.

British Shipbuilders wins orders

BY WILLIAM HALL, SHIPPING CORRESPONDENT

BRITISH SHIPBUILDERS has won orders for two ships, bringing it more than three-quarters of the way to its target of 45 new orders for the period from September 1979 to July 1981.

Anchor Line, a subsidiary of Walter Runciman, has ordered a £9m liquefied petroleum gas (LPG) carrier from Ailsa Shipbuilding in Scotland. British Nuclear Fuels' order is for a 1,150 dwt nuclear fuel ship from Swan Hunter on Tyneside.

The 6,500 cubic metre LPG carrier for Anchor Line will be built jointly by two of the Clyde's smaller shipbuilders. The rear section will be constructed at Ailsa's yard at Troon and the forepart at Ferguson Brothers' yard at Port Glasgow. The two parts will be joined in a drydock on the Clyde.

The ship for British Nuclear Fuels is similar to two previous ships ordered, but slightly smaller. It will carry irradiated nuclear fuel and is scheduled for delivery next year.

Anchor Line's LPG carrier, which will be delivered in early 1982, will join a fleet of 10 gas carriers operated by its subsidiary, George Gibson and Co. of Leith. The ships operate under the umbrella of Unigas International, a consortium of British, Dutch, German and Norwegian owners with a combined fleet of 25 gas carriers.

Mr. John Parker, British Shipbuilders' Board member for shipbuilding with interim chief executive responsibilities, said he was delighted that this sophisticated vessel had been ordered by a British ship-owner in a British shipyard. "It takes us into the small specialised gas ships market which we believe will grow in the coming years," he said.

Niarchos sale offer

Our Shipping Correspondent writes: Mr. Stavros Niarchos, the Greek shipowner, has offered to sell a recently purchased oil tanker back to British Shipbuilders, after accusations that he has taken advantage of British taxpayers' money.

Some months ago, the Niarchos group took delivery of a 260,000 dwt tanker from Scott Lithgow on Clydeside. Because it was delivered late, the price was reduced by £4m to about £13m. Mr. Michael Grylls, Tory MP for North West Surrey, has described the deal as a "major scandal" and has urged the Parliamentary Public Accounts Committee to investigate.

Mr. Niarchos explained that one of the conditions of the order was the right of cancellation if the tanker was delivered late. Towards the end of last year, it became clear the vessel could not be delivered on time and the Niarchos group was invited to renegotiate the deal.

Mr. Niarchos and British Shipbuilders arrived at a "mutually acceptable commercial solution." "In my experience this is a normal business practice internationally and I am somewhat at a loss to understand the interest the transaction has aroused," says Mr. Niarchos.

Mr. Niarchos adds that "in order not to be accused of taking advantage of the British taxpayer, I would be quite prepared to reverse this purchase and return the vessel to British Shipbuilders against repayment to us of the reduced amounts which we have paid to British Shipbuilders for the acceptance of the vessel and foregoing interest since delivery of the vessel."

British Shipbuilders refused to comment on the offer yesterday.

Building decline continues

By Michael Cassell

A CONTINUING decline in the construction industry's domestic workload was yesterday foreshadowed in figures released by the Department of the Environment.

The value of new orders won by contractors in the first three months of the year fell 5 per cent from the previous quarter and stood 6 per cent down on the same period a year earlier.

Public sector housing contracts placed in the first quarter of this year were 10 per cent lower in value than in the preceding three months and 31 per cent down on the same period last year. The value of private housing contracts was 13 per cent down on the preceding quarter, although it showed an increase of 7 per cent on the January-March quarter of last year.

Public works orders in the first quarter rose 13 per cent over the level recorded in the fourth quarter of 1979.

Ladbroke Group closes last London casino

BY ANDREW FISHER

LADBROKE GROUP moved closer to its exit from the casino business yesterday with the announcement that it had shut its last London club and would not appeal against the closure of the other three.

The group has already started trying to sell its 11 provincial casinos, and expects news of a further disposal in the next few days.

The club which closed for the last time under Ladbroke management early yesterday was the Park Tower. The Gaming Board had started proceedings to cancel the licence.

Ladbroke's decision to close the club instead gives it a cleaner departure from the London casino sector, clearing the way for the eventual sale of its provincial units.

Ladbroke has already agreed with Reo Stakis of Glasgow to sell five provincial casinos for nearly £4.5m, conditional on the transfer of the licences. The sale of another club to an unnamed buyer has also been announced.

Ladbrokes problems in the industry came to a head last year when courts ordered it to shut down three London casinos because of past misconduct.

The High Court rejected its attempt to have the matter reopened in March this year and 285 employees at the clubs, the Hertford Club, the Park Lane Casino and the Ladbroke Club, all in Mayfair, were made redundant.

'Jumble' makes £36,000

AN IVORY miror case, four inches in diameter, which bad *been bought* at a *jumble sale* for £1, was sold at Phillips' yesterday for £36,000. The saleroom identified it as French, dating from about 1330, and placed a £10,00 estimate on it. There was strong international bidding before the ivory went to Mautti, a Paris dealer.

Philips' also sold English paintings for £138,643. Maas, the London dealer, paid £21,000, well above forecast, for a sketch by Ford Maddox Brown for his picture The first translation of the Bibla into English, which bangs in Bradford Art Gallery. A series of farmyard sketches by James Ward went for £8,800.

Among sales at Sothaby's, English porcelain made £126,860 with Vandekar, the London dealer, paying £12,000 for a Barr, Flight and Barr 184-piece dinnar and dessert servica of 1813. Three lots of Chamberlain's Worcestar armorial ching, the property of the late Nelson Rockefeller, mada about 1800, aold for £5,200, £5,000 and £4,200 respectively.

Among the books, 24 lots relating to Eton, the property of the late Lord Rosebery, made £1,555. Lewis van Vliat'a collection of powder flasks and European pistols totalled £124,825, with a best price of £2,800 for a pair of 1820 travelling pistols signed Wilson, London.

In Hong Kong Sotheby's sold a 15th century blue-and-white palace bowl, 5½ inches bigh, for £160,428, in a Chinese ceramics auction.

SALEROOM

BY ANTONY THORNCROFT

Ninian Field forecast revised

By Ray Dafter, Energy Editor

STANDARD OIL of California (Chevron) has revised its forecast about the likely peak production rate from the Ninian Field in the UK sector of the North Sea.

The figures released yesterday were a little higher than estimates given last week by another company in the Ninian venture. Even so, it was confirmed that the field would not produce oil as fast as was originally expected.

Standard Oil, which owns Chevron Petroleum UK, the field's operator, said it had made a "minor downward revision" in estimated peak output. Simulation studies of the field's producing characteristics were still continuing, but preliminary results indicate peak output in 1982 will be between 322,000 and 325,000 barrels a day without additional investment in the field's water injection system.

Five years ago, when Chevron sought permission for the field's development, it was projected peak production would be 360,000 b/d, reached in 1981.

Chevron said peak output would still last two years and recoverable reserves remain unchanged at 1.2bn barrels.

The Ninian licensees are: Chevron (17.8 per cent); British National Oil Corporation (22.2 per cent); British Petrolaum (13 per cent); Imperial Chemical Industries (19.2 par cent); London and Scottish Marine Oil (7.8 per cent); Murphy (7.4 per cent); Ocean Drilling and Exploration (7.4 per cent); and Ranger (5.2 per cent).

Study EEC, industry urged

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

ABOUT 85 per cent of British industry was "blissfully ignorant" of what the European Economic Community was all about and how people in industry could influence its operations, Mr. Tom Normanton, vice-chairman of the energy and research committee of the European Parliament said yesterday.

But it was "sheer culpable irresponsibility" to ignore the way the EEC could affect a company and the industry in which it operated.

He urged industrialists to get to know their European MPs, the Commissioners and the officials responsible for drafting legislation affecting their particular industry.

It was extremely important that British industrialists should pre-empt written proposals, and make their opinions felt at the stage when directives were being initiated, said Mr. Normanton at a seminar, EEC: Friend or Foe?, organised by the Society of Motor Manufacturers and Tradars.

Mr. Hugh Cownie, economic adviser to the society, said that by 1990 the EEC would represent the world's biggest car market at additional countries joined the community. The society forecasts that car sales in the EEC up to 1990 will grow at 2 per cent a year and commercial vehicle demand by not quite 1 per cent.

Short time

Arthur Smith writes: BL is to cut production of MG sports cars and put 700 workers at the Abingdon plant on a three-day week.

The action is a result of weak demand from the U.S. which takes 80 per cent of MG production. From June 2, output will be reduced from 600 cars a week to 381.

The consortium led by Aston Martin, which has put in a bid to acquire the Abingdon factory and assemble the MG under licence, said that negotiations would not be affected.

Mr. John Symonds, chief executive of Aston Martin, said the BL move was "sensible," and the consortium had been kept fully informed.

Inner city enterprise zone plan criticised

BY ROBIN PAULEY

THE GOVERNMENT'S plans for experimental enterprise zones to regenerate depressed inner urban areas were yesterday criticised by Mr. Roy Hattersley, Opposition environment spokesman.

Mr. Hattersley told the standing committee considering the Local Government Planning and Land Bill that designating 500 acre areas entitled to wide range of financial and planning benefits would not create new jobs or industry. It would pull businesses into one area to tha disadvantage of others.

The innar cities needed a revival of manufacturing and industrial activity to provide new jobs. Enterprise zones would attract tha wrong type of business — warehousing and commercial nndertakings. They would put an intolerable strain on both the infrastructure and the lives of peopla living nearby without creating any new jobs.

Mr. Tom King, Local Government Minister, said the schema was a limited exparıment to see whethar financial incentives such as de-rating conpled with almost instantaneous and automatic planning permission mibgt regenerate depressed inner urban areas.

Orignal plans for free-for-all zones were not in the Bill. Regulations covering safety, pollution, nuisance and bealth regulations would continue to apply in the zones.

"Local authorities will receive 100 per cent compensation for all rate income lost. The amount will increase as the zone is developed, which should be an incentive to anthorities to establish zones in their areas and to accept the significant diminution of their power to control development within them," Mr. King said.

Wool 'hit by closures'

BY RHYS DAVID

THE rapid decline in the number of clothing companies in the UK is the biggest single problem facing Britain's wool textile sector, industry leaders warned in Bradford yesterday.

Mr. Barry Spencer, president of the Confederation of British Wool Textiles, said it was a fallacy to suppose increased exports to the EEC could make up the loss of sales to the Leeds-based multiple tailoring outlets.

Tha industry could provide EEC buyers with a design service but to do so economically, production had to be based on a strong bome market.

Speaking at a Bradford luncheon, Mr. Spencer attacked the "shattering effects" of Government policies—an axchanga rate policy "whicb makes exporting harder and importing easier," and a monetary policy "which depresses home demand and makes the cost of holding stock exorbitant."

He also criticised unfair competition and said current textile trade restraints were not being adequately policed by the EEC Commission.

But in spita of its problems, the industry bad still been able to increase exports by 20 per cent to £108.6m in the first three months of this year compared with the same period last year.

Mr. Gerard Litten, chairman of the National Wool Textile *Export Corporation*, criticised the higb tariff barriars, embargoes, quotas and other restrictions wbich restrain UK axports to a number of markets.

Looking forward with The Times

NEWS ANALYSIS ● MAX WILKINSON reviews progress of management and trades unions at the Thunderer, where the carrot has replaced the big stick

IN ITS first leading article after 347 days of non-publication last year, The Times set out wbat it saw as the lesson and achievement of the stoppage.

For on November 13, 1979, the Thunderer said Britisb industry could survive only if it achieved a "revolutionary change" in productivity: "In our own affairs we have agreements which do provida for mucb higher productivity . . . we bave agreements to introduce advanced electronic aquipmant. . . ."

It predicted that by 1981 it would be ahle to set a full page in type by electronic means and for an eighth the cost of setting a page on traditional equipment at the Financial Times.

Six months after publication resumed, Times Newspapers bas not aucceeded in transferring any of its five titles to tha new electronic system. Talks promised by the typsetters' union about the possihilty of allowing journalists and clerks to operate new machines bave not started. Although National Graphical Association members are being trained to use the computer-controlled typesetting machines, the process has been slower than hoped.

An agreemant that the Times Literary Supplement would ... room by the end of March bas been abandoned.

Retraining of operators while producing threa titles bas proved harder than expected, and the supplements have been struggling with continued bottle-nack problems.

More seriously, the management *has still failed* to agree all terms of the new working arrangements with the NGA, even though tha new arrangement would guarantee its members *a* complete monopoly ovar setting. The idea that journalists and tele-ad girls could type their copy directly into the computer-terminals has recede into the misty future. Times Newspapers is still wrangling with the NGA about whether it bas the agreement which it thought it bad achieved even to talk about this possibility.

Yet two years ago, wben Mr. Duke Hussey, the chief executiva, set his course towards confrontation with the unions, one of his greatest objectives was flexible use of new technology. No other Fleet Street newspaper seemed near to achieving it. The Times deter- ... first

The other great objective, now balf remembered, was to achieve industrial disciplina and to prevent continued disruption, particularly in the press-room at The Sunday Times.

Certainly disruption and indiscipline now appears not to *be* as bad as it was *in* the first quarter of 1978, whan 7.7m copiea, representing a fifth of total output, were lost.

But the newspapers arg still *suffering from a series* of smouldering disagreements which occasionally break into flames.

In spite of these continued difficulties. The Times management can point to some significant achievements. All departments except the composing-room are well on way to achieving reductions in over-manning agreed with the unions in Novamber, when it was envisaged that 600 out of the total 3,000 production johs would be traded for pay increasea. As a result, management significantly reduced real wage costs.

Between September, 1978, and September 1980, management astimates its wage costs will have increased 19 per cent compared with an average of betwaen 40 par cent and 50 per cent in the rest of Fleet Street.

At tha sama time, circulation and advertising revenues of all the titles have recovered better tban even tha optimists bad expected. In money terms, advertising revenue for The Sunday Times, first quarter 1980, is 40 per cant more than in the same period two years ago.

Revenue for The Times is about 20 per cent np and improving. Circulation of The Times has increased by about 20,000 copies to 315,000, and The Snnday Times is selling all that it can print, about 1.5m copies a week.

These achievements raise the hope that in a year, or more, wben redundancy costs have been absorhed, the puhlications could record the modest profit which would bave been achleved before the stoppage if there had bean no disruption.

The key to the future remains what it always was—bettar industrial relations. Management consultants bave heen bired, a naw super "communicator" has been appointed, and s conference has been arranged at a Gatwick botel for friendly discussions with unions. Having exbausted avery possibility of tha big stick, tha management is now trying the carrot for all it ia worth.

BASE LENDING RATES

A.B.N. Bank	17 %	■ Hambros Bank	17 %
Allied Irish Bank	17 %	■ Hill Samual	§17 %
American Express Bk.	17 %	C. Hoare & Co.	†17 %
Amro Bank	17 %	Hongkong & Shanghai	17 %
Henry Ansbacher	17 %	Industrial Bk. of Scot.	17½%
A P Bank Ltd.	17 %	Keyser Ullmann	17 %
■ Arbuthnot Latham	17 %	Knowsley & Co. Ltd.	19 %
Associates Cap. Corp.	17 %	Langris Trust Ltd.	17 %
Banco de Bilbao	17 %	Lloyds Bank	17 %
Bank of Credit & Cmce.	17 %	Edward Manson & Co.	18 %
Bank of Cyprus	17 %	Midland Bank	17 %
Bank of N.S.W.	17 %	■ Samuel Montagu	17 %
Banque Belge Ltd.	17 %	■ Morgan Grenfell	17 %
Banque do Rhone et de la Tamise S.A.	17½%	National Westminster	17 %
Barclays Bank	17 %	Norwich General Trust	17 %
Bremar Holdings Ltd.	18 %	P. S. Refson & Co.	17 %
Brit. Bank of Mid. East	17 %	Rossminster	17 %
■ Brown Shipley	17 %	Ryl. Bk. Canada (Ldn.)	17 %
Canada Perm't Trust	18 %	Schlesinger Limited	17 %
Cayzer Ltd.	17 %	E. S. Schwab	17 %
Cedar Holdings	17 %	Security Trust Co. Ltd.	18 %
■ Charterhouse Japbet	17 %	Standard Chartered	17 %
Choulartons	17 %	Trade Dev. Bank	17 %
C. E. Coates	17 %	Trustee Savings Bank	17 %
Consolidated Credits	17 %	Twentiath Century Bk.	17 %
Co-operative Bank	*17 %	United Bank of Kuwait	17 %
Corinthian Secs	17 %	Whiteaway Laidlaw	17½%
The Cyprus Popular Bk.	17 %	Williams & Glyn's	17 %
Duncan Lawrie	17 %	Wintrust Secs. Ltd.	17 %
Eagil Trust	17 %	Yorksbire Bank	17 %
E. T. Trust Limited	17 %		
First Nat. Fin. Corp.	19½%		
First Nat. Secs. Ltd.	19 %		
Robart Fraser	17 %		
■ Antony Gibbs	17 %		
Greybonnd Guaranty	17 %		
Grindlays Bank	‡17 %		
■ Guinness Mahon	17 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 15%. 1-month deposits 15¼%.
† 7-day deposits on sums of £10,000 and under 15%, up to £25,000 15¼% and over £25,000 15½%.
‡ Call deposits over £1,000 15%.
§ Demand deposits 15%.

Leading postal union agrees incentives

BY NICK GARNETT, LABOUR STAFF

THE POST OFFICE secured agreement yesterday from its biggest union for the introduction of experimental local incentive deals which are vital to improving efficiency in the postal service.

The decision of the Union of Post Office Workers' annual conference in Blackpool was taken following a new and tough management policy towards restrictive practices, overmanning and excessive and costly overtime.

Guidelines, supported by Mr. Dennis Roberts, managing director of posts, have been given to head postmasters, virtually instructing local management to improve productivity regardless of any resistance from the union. In a style reminiscent of BL, local management has been told to rid the system of restrictive practices.

Senior management, under criticism and attempting to resist any significant erosion by Government of the postal monopoly, has told local management not to back away from threats of industrial action in pursuing this policy.

The union's leadership, delighted by yesterday's two-to-one vote, hopes it will result in the formal buying-out of restrictive practices and overmanning, rather than seeing these stripped from postmen with no provision for extra money. The incentive schemes —to run experimentally for three months—are based on staffing and overtime reductions achieved through faster mail handling. Payments related to the schemes are designed as an incentive for staff to co-operate in change and improve output.

Mr. Tom Jackson, the union's general secretary, described a catalogue of horrors, including the fragmentation of the existing postal service and the prospect of wide-scale job losses, if local efficiency deals were not accepted.

The consequence of failing to agree would be a drastic weakening in the union's ability to resist attempts to end the postal monopoly, and to cope with technological change, said Mr. Jackson. The monopoly is now under study at the Department of Industry.

Tha attitude of the union's leadership has been reinforced by reports drawn up for the union which are pessimistic about the present postal service in the face of new electronic techniques.

It is still unclear how successful local schemes will prove. There could also be some difficulty in offices where staff do not wish to participate in inventive deals but where their managers are still determined to introduce lower staffing levels.

There is a greater incentive for postmen to embark on local schemes in those offices which should show the biggest improvements in service.

Restrictive practices include slow working and, in some cases, local union clampdowns on staff recruitment, in order to boost available overtime. The schemes will provide three types of extra bonus payments based on a minimum of 70 per cent of staff savings going into postmen's wage packets.

Initial figures indicate bonus payments of £6 to £7 a week for some offices but large overtime earners will have their earnings cut.

Labour reform scheme

BY ALAN PIKE, LABOUR CORRESPONDENT

ESTABLISHMENT OF a new "National Council of Labour" is proposed by the General and Municipal Workers' Union in its evidence to the Labour Party commission of inquiry into reform of the party's structure.

It would be the task of the council to prepare a "rolling" programme and manifesto for the annual conference; to confirm the Parliamentary Labour Party's choice of leader and deputy leader; and to confirm the appointments of general secretary and deputy general secretary.

All sections of the party, including the existing National Executive Committee, the parliamentary party, European MPs, and local and regional representatives, would serve on the council.

If the proposal is not accepted by the inquiry, the GMWU suggests that more NEC seats should be created, for the parliamentary party and local government representatives.

On the reselection of MPs issue which, with the manifesto and leader-selections method has dominated the current debate on party reform—the GMWU proposes that constituency parties should bave the option of not proceeding with reselection if a significant majority of the general management committee preferred to automatically readopt the sitting MP.

The GMWU and Mr. David Basnett, its general secretary, were infiuential in leading to establishment of the commission of inquiry.

On organisation and finance, the union calls for a trades union-led recruitment drive for individual party members, a full-time deputy general secretary to replace the present lay treasurer, and a trades nnion affiliatioo fee of 50p per member. More money should be spent at constituency and regional level, less at the centre.

Support for the Left-wing proposals on mandatory reselection of MPs an electoral college to choose the leader, and NEC control of the election manifesto was provided yesterday by TASS, the white-collar section of the Amalgamated Union of Engineering Workers, in its evidence.

TASS defended the dominant trades union block-vote in party conference as being democratic and one of the movement's greatest potential strengths. "Trades unions arrive at their conference voting policy on the basis of their own democratic processes."

Natsopa appeal delay backed

THE National Society of Operative Printers, Graphical and Media Personnel did not act unreasonably in refusing to speed up the appeal of a member disqualified from holding union office for calling the general secretary a liar, a High Court judge decided yesterday.

The Vice-Chancellor, Sir Robert Megarry, said the possibility that the severity of the penalty amounted to a breach of natural justice principles had tempted him to a different conclusion.

But, although not entirely happy with the union's grounds for deciding not to grant Mr. Herbert Hand a special appeal hearing before the normal appeal committee session next November, he felt there was not sufficient reason for the court intervening.

With "a certain amount of regret," he dismissed Mr. Hand's claim for orders that his appeal be expedited or his disqualification suspended pending appeal.

Mr. Hand, father (chairman) of Natsopa chapels (office branches) at The Observer and Daily Mail, had accused the general secretary, Mr. Owen O'Brien, of lying at a union meeting, and was held to have broken a union rule that made it an offence to insult a union official.

He sought an early appeal to enable him to stand in union elections this year. His request was refused, the union's executive finding no circumstances meriting a change in the usual practice.

The judge said the requirement that a union's affairs be conducted in a decorous and proper manner meant that, whether or not an accusation against an official was true, if the language in which it was couched caused unnecessary offence, it was insulting.

He said the practice of normally hearing appeals only in November could inflict fortuitous hardship on some appellants. The union might escape criticism on that score by altering its practice.

European Court to rule on BR closed shops

BY WALTER ELLIS IN STRASBOURG

THE LEGALITY of closed shop agreements reached between British Rail and the three UK rail unions in 1975, has been referred to the European Court of Human Rights, the supreme legal authority of the Council of Europe.

If the court decides the agreements contravene the European Convention on Human Rights, Britain could find itself involved in the same sort of legal wrangling which accompanied a 1976 ruling of the Commission of Human Rights that Britain had subjected terrorist suspects in Northern Ireland to "inhuman and degrading treatment."

The new case arises from two applications brought against the UK—the first, in July 1976, by Mr. Ian Young and Mr. Noel James, and the second, in February 1977, by Mr. Ronald Webster.

All three were dismissed by British Rail in 1976 after refusing to join a recognised trade union. Their dismissal was valid under the terms of the British Trade Union and Labour Relations Act of 1974, as amended in 1976.

But the applicants allege that it was an interference with their freedom of thought, conscience, expression and association with others, and so was contrary to Articles 9, 10 and 11 of the Convention on Human Rights.

The report of tbe commsision, on which the referral to tbe court is based, bas not yet been released, but it must be assumed that the legality of the dismissals has at least been seriously questioned.

International jurists and other officials appointed by the 20 member states of the Council of Europe are represented on the commission, and court action is only begun when it is felt that an infringement of the convention may have been committed.

A chamber of seven European judges will shortly be constituted to hear the case, which could carry on for months or even years.

Should Britain be found guilty, it would he called on to amend the relevant legislatioo and to compensate the victims.

Threat to chemical companies

BY ALAN PIKE, LABOUR CORRESPONDENT

UNIONS representing 420,000 chemical workers are considering a total ban on regular overtime from next month in response to fears of massive joh cuts.

The han on all systematic overtime bas been proposed by the General and Municipal Workers' Union, and will be discussed with leaders of other unions in the industry.

Mr. David Warburton, GMWU national officer, said yesterday that bigh levels of overtime were w orked in some sections of the industry. A han would affect nearly 250 companies, including ICI.

The number of chemical companies forecasting cuts in their labour force bad riseo from less than 2 per cent last year to more than 14 per cent now, said Mr. Warbnrton.

His union was not prepared to accept massive cuts in employment as a solution to current problems. "Sir Keith Joseph will meet us next month, and I hope that he gets the message that the policy of this Governmeot is crippling our chemical industry."

The GMWU hopes to gain the support of other unions, including the engineering workers and the electricians, for its proposed overtime han. But it is a matter of some doubt how effectively such a campaign nligbt be implemented at local level.

Electricians 'in fight for survival'

BY JOHN LLOYD, INDUSTRIAL STAFF

THE CONTRACTING and retailing actlvities of area electricity boards were under threat of closure because of top-beavy administration, managerial incompetence and Government hostility, the national industrlal conference of the Electrical, Electronic Telecommunications and Plumblng unions was told yesterday.

Mr. Fred Franks, national officer for the union's power supply section, told the Eastbourne conference that electricians must engage in the "battle for survival of the board's commercial activities.

"Management is overstaffed and over-qualified. There are often eigbt or nine grades of management between electricians and senior levels. The cause of the low turnover in many districts is the failure of management lo increasa sales."

Tbe Electricity Council said last night that the number of retail outlets in boards had fallen from 1,200 to about 900 over the past five years, and

'Anti-union campaign'

FINANCIAL TIMES REPORTER

THE Conservative Party was preparing a massive campaign to exploit public unpopularity of trades unions, Mr. Norman Atkinson, Treasurer of the Labour Party, said yesterday.

"The Tory Party is going to build an anti trades union campaign of massive proportions—certainly bigger than anytbing we bave seen before in tbis country," be told tbe cooference of TASS, the wbite-collar section of the Amalgamated Union of Engineering Workers in Bournemouth.

Union considers plan for own bank

A TRADES UNION bank to handle union finances and possibly pension fund contributions, is being considered by leaders of Britain's third largest union.

The idea, by the General and Municipal Workers' Union, is in a very early stage of development. If financial and legal studies show it to be feasible, the union will seek the support of the rest of the trade union movement.

It is uncertain whether the research will be completed in time for the scheme to be nnvciled at this year's TUC conference in September.

The feeling that trades unions should have more independent control over their financial resources has grown out of the recent ad hoc arrangements under which a consortium of unions raised £1.3m for the Labour Party to develop its new headquarters in South London.

Mr. David Basnett, the union's general secretary, said that if the trades union movement had its own banking facility, it would gain in interest charges and would then seek to attract some of the large sums of money which came on to the market each year from pension funds.

"We are examining what is feasible. By getting together unions can all use their money more effectively. When we have developed the idea fully ourselves, we will take it elsewhere."

The union is examining trades union controlled banking arrangements in West Germany and Israel.

Labour workers plan action

WORKERS at the Labour Party's headquarters yesterday formally rejected a 20 per cent pay offer. They are planning industrial action in a bid to resolve the dispute swiftly, but this will fall short of sabotaging a special Labour conference at Wembley on May 31.

Shore highlights lessons to be learned from Iran sanctions climbdown

No 'free agents' on foreign affairs

BY IVOR OWEN

MINISTERS AND Britain's treaty partners have lessons to learn from the Government's dramatic about-turn on the retrospective imposition of sanctions against Iran, Mr. Peter Shore, Labour's shadow Foreign Secretary, emphasised in the Commons last night.

In a curtained emergency debate—it occupied just 24 minutes, instead of the scheduled three hours—Sir Ian Gilmour, the Lord Privy Seal and Deputy Foreign Secretary, confirmed that Orders banning trade with Iran will only become operative after receiving the specific approval of the Commons.

He explained the Government's decision to go back on the agreement—which Lord Carrington, the Foreign Secretary, entered into with Britain's EEC partners in Naples at the weekend—with a frank admission.

"The House," said Sir Ian, "made its view very clear that the inclusion of the retrospection, however limited, was unacceptable.

"The Government has, therefore, decided that sanctions will not be retrospective."

Sir Ian made no attempt to hide the confusion caused in the ranks of the EEC by the Government's about-turn.

"We cannot yet say exactly what will happen," he admitted. But he stressed that the Government hoped that no arrangements would be agreed upon which would enable the Nine to "go along this road at the same pace."

Unprecedented

Mr. Shore highlighted the lessons to be learned from the episode, after describing it as an unprecedented change in Government policy, executed with unprecedented speed and in contravention of an agreement reached with the eight other EEC countries just 36 hours previously.

It demonstrated, he said, that in their conduct of foreign affairs, Ministers were not free agents who could safely yield to the pressures of other nations, and just assume the assent of the House of Commons.

This was an important lesson, Mr. Shore stressed, both in regard to Britain's relations with the EEC and with the U.S.

Richard Evans, Lobby Editor, writes: Ministers were left picking up the pieces of their Iran sanctions policy yesterday and finding explanations for the most spectacular climbdown of the Conservative Government's year in office.

The inquest immediately produced two clear impressions—that backbench MPs can still produce sufficient clout to change Government policy if they act decisively, and that Lord Carrington, Foreign Secretary, was the Minister taking the blame for the debacle.

A galling factor for Lord Carrington, the Cabinet's brightest star after the success of the Zimbabwe Independence negotiations, was that he had always made his view clear that sanctions had no hope of working by themselves. He supported them largely to maintain unity with the U.S. and the Western alliance.

Misjudgment

Nevertheless, the evidence is that he made a rare political misjudgment which will be an embarrassment for Mrs. Thatcher not only at Westminster but with the U.S. and EEC Governments.

When the Cabinet discussed sanctions last week prior to Lord Carrington's meeting with EEC Foreign Ministers in Naples at the weekend, no firm decision was taken. He was left with a flexible hand. But the consensus, supported by Mrs. Thatcher, was that sanctions backdated to last November were definitely not favoured.

This had also been the clear impression given by Mr. Douglas Hurd, Minister of State at the Foreign Office, when the sanctions-enabling legislation was debated in the Commons, although he did warn, in passing, that the Government might be obliged to follow any decision of its EEC partners.

That is what happened at the Naples meeting. To the surprise of British officials, the other members of the Common Market adopted a tougher stance than anticipated. Lord Carrington felt obliged to maintain a joint policy.

It was oly on his return to London that he realised how unpopular the decision might be. His fellow Cabinet members, including Mrs. Thatcher, were taken by surprise and were immediately apprehensive about Commons reaction.

Minister pledges stand against comparability

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

A NEW clause is to be added to the Employment Bill, in order to strengthen the provision on union ballots, the Earl of Gowrie, Minister of State for Employment, announced in the Lords yesterday.

The Minister also made it clear that the Government wished to enter the pay round in the public sector this winter "free from the doctrines of comparability."

The Bill already provides Government funds to finance the holding of union ballots on election of officers and industrial disputes. The new amendment will add to this by putting an obligation on an employer to provide a place on the premises where the union can hold its ballot. This would have to be done, if the union requested it.

Lord Gowrie, speaking on the second reading of the Bill in the Lords, said that this would give immediate encouragement for the holding of ballots.

"I believe the amendment will greatly add to the value of the Bill," he said.

The scheme has been strongly advocated by the Confederation of British Industry and, in particular, by Lord Robens, the industrialist and former Labour Minister. In fact, the scheme has become commonly known as the "Robens amendment."

Companies which provide such facilities will not receive financial assistance from the Government. It is anticipated that the cost of providing a venue for voting to take place will be minimal.

In his speech, Lord Gowrie made it clear that the Government expected a tough time in the public pay round this coming winter. At the same time, he appeared to hold out an olive branch to the unions.

"We have no quarrel with the Labour movement," he emphasised. "We know that the work of the movement is critical, if there is to be sufficient economic recovery to ensure a better life for its individual members."

He saw no reason why these common aims should not be achieved by the efforts of British industry in the next few years.

"But, in the short term, the going will be tough and unpleasant for the Government and everyone else.

"The reason is that we have not yet had a pay round in the public sector where the Government is directly responsible and where it is incumbent on us to set an example, free from the doctrines of comparability, which the previous Government initiated, or the settlements which they postponed.

"We are on our own now and the barometer is falling."

He said it was no secret that the Bill was receiving tacit and over-support. He would be very surprised if, when it become an Act, its repeal would form part of the next Labour manifesto.

PM renews Games boycott call

BY PHILIP RAWSTORNE

MRS. MARGARET THATCHER yesterday strongly renewed her call to the British Olympic Committee to boycott the Moscow Games.

"I remain firmly convinced that it is neither in our national nor in the wider Western interest for Britain to take part," she said in a letter to Sir Denis Follows, BOC chairman.

The Prime Minister said that the decision of the United States and West Germany not to send teams to Moscow would rob the Games of much competitive significance.

"The Games will not be worthy of the name Olympic, and medals won at Moscow will be of inferior worth and the ceremonies a charade," she said.

Many other countries were likely to pull out because of the German decision.

Mrs. Thatcher said that nothing had happened to cause the Government to alter its advice to British athletes.

"Soviet troops still occupy Afghanistan and cruelly oppress the Afghan people . . . there are continuing reports of atrocities. Only the complete withdrawal of Soviet troops will end them and it is essential that the pressure on the Soviet Union should be maintained."

Mrs. Thatcher declared: "The Games will serve the propaganda needs of the Soviet Governmant. There is no effective palliative, such as cutting out the ceremonies.

"As a sporting event, the Games cannot now satisfy the aspirations of our sportsmen and women. British attendance at Moscow can only serve to frustrate the interests of Britain."

Lord Carrington, Foreign Secretary, told the Conservative Women's conference in London yesterday that he hoped "wiser counsels will prevail" over the BOC's decision to participate.

To suggest that it was wrong to mix sport and politics was to misunderstand the amount of money which the Soviet Union had laid out on the Games to ensure a propaganda victory, he said.

"It is to blur the fact that in the Communist world sport is part of politics. Those who believe sport has nothing to do with politics are living in a dream world," Lord Carrington said.

With so many countries not participating, a gold medal at Moscow would "hardly be 18 carat," he added.

Retail price index 'down by August'

By Philip Rawstorne

THE RETAIL price index would come down in July-August, Mrs. Margaret Thatcher re-affirmed in the Commons yesterday during a series of sharp exchanges with Mr. Michael Foot.

Labour's Deputy Leader called on the Prime Minister to reverse the Govarnment policies which had led to record inflation.

She had shown over Iranian sanctions and Zimbabwe that a U-turn could be conducted with grace and skill, said Mr. Foot. "You are really very good at it, when you try."

Mrs. Thatcher thanked him for the compliment. "I recognise it comes from an expert in these matters," she said.

But Mr. Foot was no expert on reducing prices, Mrs. Thatcher added, and amid Labour cheers she listed the increases during the last Labour Government.

"They put up electricity prices by 169 per cent," she said. "Postal charges by 148 per cent, rail fares by 172 per cent, food prices by 120 per cent and rates and water charges by 128 per cent."

Mr. Foot retorted: "When are you going to bring any prices down? All you have done so far is to push them up."

The retail price index would come down in July-August, said Mrs. Thatcher.

"Now tell us when the RPI will come down to the figure it was when you assumed office," challenged Mr. Foot.

"I hope it will not go up as high as it did under you, before it comes down," Mrs. Thatcher replied.

'No more political strikes' plea

BY IVOR OWEN

MR. JAMES PRIOR, Employment Secretary, gave a low-key response when he was questioned in the Commons yesterday about the relatively small impact made by the TUC's Day of Action last week.

"The sooner as a nation we put May 14 behind us and learn to live together and work together the quicker the country will get out of its probelms," he said.

Mr. Prior pointed out that 90 per cent of the workforce had ignored the TUC by doing their jobs. He said he hoped that there would be no more political strikes.

He maintained his "softly-softly" approach to the reform of industrial relations when faced with another call from the Government backbenchers for more radical proposals than those at present in the Employment Bill to deal with abuses arising from the closed shop.

Mr. Ivan Lawrence (C., Burton) protested that bus drivers in the West Midlands had been threatened with the loss of their union cards and their jobs if they turned up for work instead of supporting the Day of Action.

He contended: "The Employment Bill does not really protect anybody from losing their jobs.

"Unless something is done about that, the tyranny about which most of the country is complaining will continue."

Mr. Prior made it clear that he remained opposed to demands for the abolition of the closed shop.

Amid Labour cheers, he insisted: "One has to ask whether these people did lose their union cards."

In any case, said Mr. Prior, it was up to all union members to study their union rulebooks with care, because expulsion in the circumstances described by Mr. Lawrence would probably not be in accordance with union rules.

He reminded the House that the Bill did provide new safeguards against abuse of the closed shop.

Elinor Goodman reports on the Conservative Women's Conference

Carrington 'the undisputed hero'

AT LONDON'S Central Hall yesterday, you would never have known that the Government had just bungled its Iranian sanctions legislation.

Lord Carrington, the Foreign Secretary, was the undisputed hero of the Conservative Women's Conference and it is doubtful whether even Mr. Michael Heseltine, traditional glamour boy of Conservative conferences, could have knocked him off the top spot.

Speakers seemed barely able to mention his name without accompanying it with words like "distinguished" or "statesman." For them, Lord Carrington was apparently quite the best thing to happen to the Tory Party since Mrs. Thatcher.

Since she is not due to make her appearance until today, delegates were more than happy to sit back and be seduced by his considerable charm after what had been a pretty flat day, with Ministers doing little more than reciting their achievements and refusing to produce even the tiniest morsel of news.

"Long may Mrs. Thatcher and Lord Carrington reign over us," enthused one speaker to the evident embarrassment of some loyalists in the audience.

The conference marked the fiftieth anniversary of the Women's Advisory Committee. With a large flowery hat as a tombstone, it also marked the final burial of the old myth about conservative women and hats—hardly a hat was visible among the 2,000 women who came to London.

Respectful—x-head —.. —.....

Tory women today, it seems, have crisply permed hair of the kind which keeps Britain's hairdressers in business. They wear neat outfits from Marks & Spencer, similar to those worn by their Leader, whose name in such circles is always preceded by a small, respectful intake of breath.

Their vocabulary has also changed over the years. In today's determinedly classless Conservative Party, women talk proudly about being "mums" and having "Kiddywinks."

But if their outward appearance has changed, their values have not. They still care about the family, the community, self-help, freedom and defence.

Nor have they changed their views about women politicians much. With the shining exception of Mrs. Thatcher, they do not usually much like women politicians. Indeed, as Lady Young, the vice chairman in charge of party organisation pointed out, there are now less women on the Conservative benches in Parliament than at any time since 1953, and if the trend continues there will soon be none.

Since the finest hour of the women activists assembled in Central Hall is helping select a Parliamentary candidate, they are partly responsible for this imbalance.

The women's organisation is one of the Conservative Party's fiercest weapons as far as the Labour Party is concerned. It is the women who tend the Party's grass roots and their opinion cannot be totally ignored.

On certain issues affecting the family, like child benefits, they are soft. But on most issues they are normally well to the Right.

Ministers with long experience of dealing with the women's organisation claimed to have detected a distant softening yesterday on some issues.

There was no mention, for example, of pay beds in the health debate, or corporal punishment in the education session.

But the mere mention of Professor Clegg and his comparability commission in front of this audience brought the kind of hiss of disapproval which normally meets the name of Anthony Wedgwood Benn.

Many of the women have no personal experience of trade unions or industry and it was therefore to be expected that the pressure would be on Mr. James Prior, the Employment Secretary, to take tougher action against the unions.

Mr. Prior has now defended himself so many times against this kind of pressure he now seems to be able to do it on automatic pilot, and he hardly goes red any more when delivering it.

In fact, there was more support for his "step by step approach" than Mr. Prior might have expected and the balance of speakers was only just against him. Even so, the applause at the end was little more than lukewarm.

According to the chairman of the session, versed in the hyperbole of party conferences, however, he was supported "very overwhelmingly."

In appreciation, she gave him a mug with Mrs. Thatcher's face on it. He duly thanked her "very very much" but it was not clear whether he would dare drink out of it.

No incomes policy—Thorneycroft

LORD THORNEYCROFT, the Conservative party chairman, made it clear yesterday that the party orthodoxy still holds good over pay, and that the Government is not looking to the unions for their active participation in a wages policy.

Speaking to the Conservative womens conference, Lord Thorneycroft said the Government was looking to the TUC to keep wages down. Reducing inflation, he admitted, would be a long, hard job, but there was no alternative to the Government's existing approach, he insisted.

Referring to recent suggestions by some trade union leaders that there would have to be some form of incomes policy, Lord Thorneycroft said he wanted to make a suggestion to the unions "in all friendliness." His advice was that they should forget about incomes policy.

"I would suggest to the unions that it is not their role to keep incomes down and that they should forget about economic and political affairs."

Their job he said, was to get more money for their members and they should concentrate all their efforts on increasing productivity.

Boosting productivity, he said, was "an enormous job, but if they did it, "no one could bar them from negotiations." Every Government should acknowledge their authority.

Delegates at the conference referred frequently to what they regarded as the failure of the TUC's Day of Action but Ministerial speakers kept broadly to their policy of not rubbing the unions' noses in the low turnout.

Mr. Jim Prior, however, quoted the relatively low response to the TUC's call to support his own argument in favour of a cautious approach to trade union reform.

Had the Government not consulted properly before introducing legislation, he said, many "moderate and decent" trade unionists might have joined the day of protest.

Last Thursday, he said, had been an "undoubted triumph for commonsense." It also indicated that most trade unionists supported what the Government was trying to do over trade union reform, and believed that they were going about it in a fair way.

Time and time again, Mr. Prior warned of the dangers of being rushed into legislative action. The law, he said, simply could not do everything and it was essential that the Government did all it could to carry moderate trade unionists with them.

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Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● BANKING

Advanced equipment in operation

MOST ADVANCED computer banking system in Western Europe is the claim made for equipment installed at the Exeter, St. Thomas branch of the South West Trustee Savings Bank. The branch is the first anywhere to be equipped with new Burroughs counter terminals for processing customers' transactions.

The equipment that the cashiers at the branch will be using consists of s numeric keypad, that will be used to input transactions to customers' accounts records; a visual display unit, which is a small television type screen on which cashiers will be able to see details of customers accoonts; and a passbook printer, which will npdate customers passbooks as transactions are carried ont at the counter.

The new system will enable the Bank to give customers a speedier, more efficient service and will enable caahiers to deal with most cusfomers enquiries regarding their accounts without hsving to leave their till positions.

The branch is at present being linked to a TSB compoter centre at Bootle, which is one of four centres providing services to 11 TSBs. In 1981 these centres will be succeeded by a new centre at Wythenshawe, near Mancbester. This new centre will be able to bandle up to 258,000 transactions per hour and will also bring more improvements to the service available to customers. This will include the ability to print cheque account statements immediately at the counter in response to customers' requests.

The other 90 branches of the bank throughout the South West will be equipped with this new system during the next seven months.

This real-time customer service system has been designed by TSB Computer Services, s wholly-owned subsidiary of the TSB Central Board. The company acts as a processing service providing the management, hardware and software for the computer systems employed by most of the regional TSBs in the UK.

● COMPUTERS

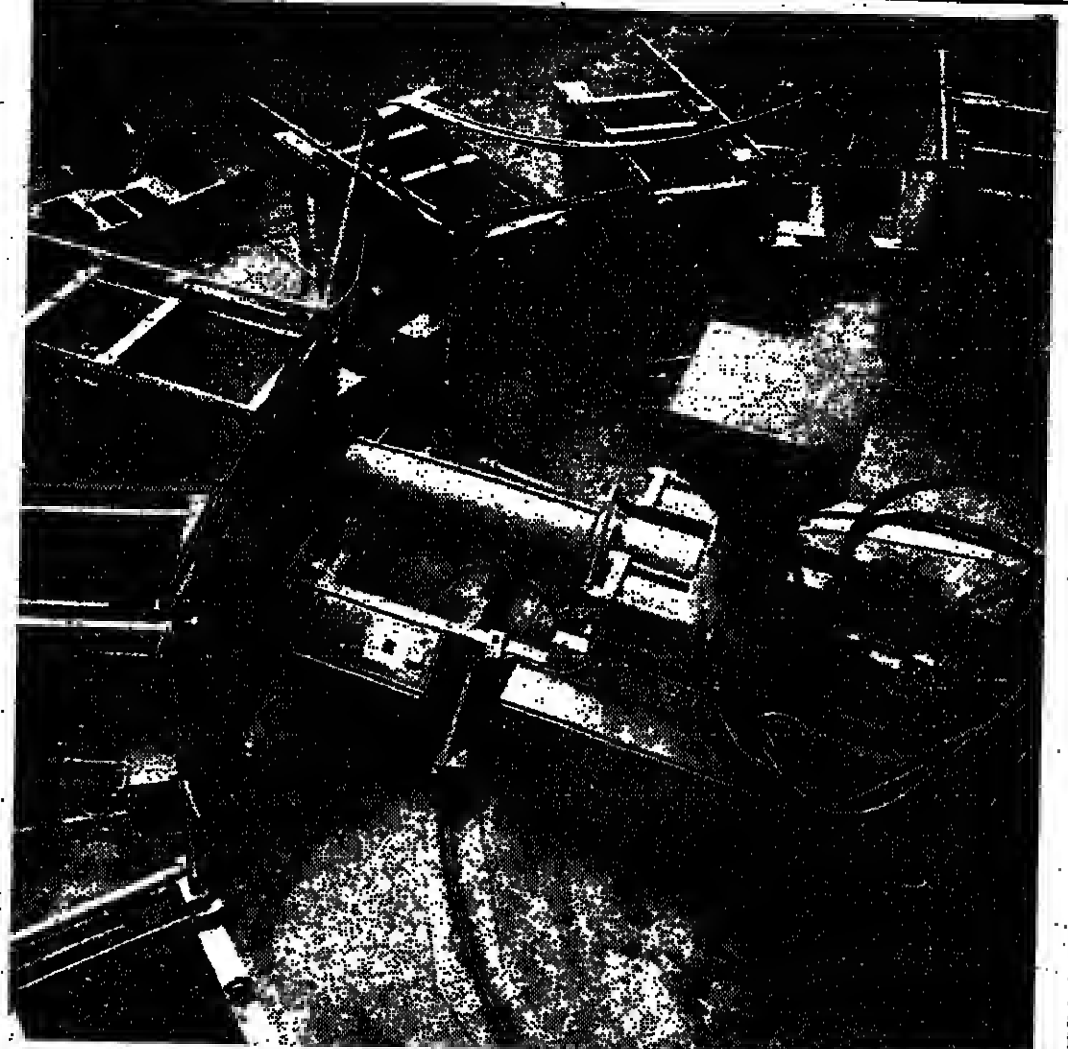
Wafer thin battery

A REUTER report from Cambridge, Massachusetts, indicates that the Polaroid Corporation is to start marketing a "wafer-thin" six volt battery for commercial applications.

A company spokesman said that the battery will be comparable with four 1.5 volt pen cell units but no more data was released, either about the type of couple or the battery's dimensions.

Apparently the unit was originally designed for use in one of Polarold's film packs and is said to be ideal for spplications which require repeated short pulses of higb current.

Its thin, flat shape is expected to permit compact prodnct design, including toys, games, smsll radios, recorders and similar items.



This £190,000 plastics injection moulding machine, built by Foam Molding Corporation of Des Moines, Iowa, USA, and now in operation at Peerless Foam Moulding's works (Coton Farm Industrial Estate, Tamworth, Staffs) is capable of producing six structural foam mouldings, each weighing up to 5 kg in one cycle. The machine is mounted on a turntable and swings through a 120 degree arc to serve six separate moulds spaced around it.

● ENERGY

New diesel engine plant

LISTER'S NEW LT2 diesel twin develops 14 bbp (10.44 kW) at 3,000/3,600 rpm continuously or 15.6 PS (11.48 kW) DIN B rating. Modest weight, compactness, and ability to run at speeds from 3,600 rpm down to 1,500 rpm on full load are major cbaracteristics.

LT2 is initially offered in seven different builds for general purposes, generating and both static and mobile construction machinery and can be hand or electrically started.

It has already been fitted to equipment from a self-propelling loader which is mounted on to a lorry flatbed and is capable of loading or unloading 20 toos in 20 minutes, to pumps; welders, compressors, bydraulic power packs, generating sets—and several vibrating rollers.

The LT2 joins the single cylinder LT1 of which Lister has built and sold nearly 100,000 since its launch in 1974.

More than £1.5m has beeo invested by the Hawker Siddeley Group in special purpose machining lines for the single and twin cylinder crankcases and other common components for the LT1 and LT2.

The idea behind the investment in the machine tools, whaich are being installed at Ryeford for these small diesels, has been to concentrate on machining the critical, fundamental engine components "in house" which could not be bought from specialist suppliers at competitive prices.

Besides the crankcases, the Ryeford factory contains the machining cells for the production of common components. These are the cylinder heads, top plates and cylinder barrels.

The latest in inspection equipment hss also been introduced at Ryeford to enable a faster quality control response to deal with advances in technology and increases in the rate of production brought about by developments in purpose-built machinery and flowline production methods.

A four-axis fully programmable co-ordinste measuring machine works from a tape cassette which details features to be checked on a particular component. Results are detailed on a printout. Simply by reference to a tape library any selected component can be automatically checked to very close tolerances.

R. A. Lister and Co., Dursley, Gloucs. GL11 4HS. 0453 4141.

● PROCESSING

Slices very hard stones

PRECISION sawing systems, incorporating air bearing spindles and ultra-thin diamond blades, are enabling sapphire processing specialists to achieve accuracy levels which only a decade ago, would have been considered totally unrealistic.

Coventry-based A and D Lee Company, with a history in sapphire processing going back through four generations, is now required to work to micron tolerances in its production of infra - red components for modern aerospace systems. In a typical case a coated synthetic sapphire disc 28mm diameter and 1mm thick has to be diced into 5mm squares. Square edge profiles completely free from chipping are absolutely essential and it is here that new diamond-tooled machines are opening up completely new possibilities.

Used with Semitron 2000 precision sawing machines, ultra-thin diamond blades typically 75mm diameter and 0.2mm wide, rotate at 10,000 rpm to achieve the high quality, chip-free edges required. Impregnated with a tough metal-clad synthetic diamond like 230/270 U.S. mesh De Beers CDA55N, the resinoid blades cut at the full depth required, i.e. 1mm, at low forward speed to achieve extreme gentleness of cutting action.

Capable of single or multi-blade operations through a rapid blade change facility, the Semitron 2000 is available with either manual indexing or an electronic closed loop video camera system which uses a Moiré fringe scale to monitor crossfeed displacement.

With a hardness of 9 on the Mohs scale, sapphire is among the hardest of a whole range of "difficult-to-cut" materials currently processed by these new diamond-tooled machines.

De Beers Industrial Diamond Division, Sharters Sunninghill, Ascot, Berks. 0990 23456.

Crushes cans on the spot

A HANDY litter disposal unit for cafes, disco halls and canteens is a small, portable machine for crushing beer, soft drink and similar cans.

This measures three feet x two feet and nine inch deep, but in one hour can handle up to 600 pint and litre size cans in tinplate and aluminium, reducing the mto a thickness of only 7 mm — or one seventh of their original volume.

When fed by hand, the caos are simply dropped into a top chute, and crushed and deposited in a wire basket (accessible from the rear of the machine) which holds up to 80 crushed cans.

The crusher is marketed by Rankinco, Fairbrae House, 4 Blades Close, Leatherhead, Surrey (Ashstead 76390).

● SECURITY

Detects the shoplifter

SMALL, LIGHTWEIGHT, electronic tags which can be attached to merchandise and removed only at point of sale, have been introduced as an anti-theft device for stores and shops by Modern Alarms, 25, Hampstead High Street, London NW3 (01-794 8191).

The tags work in conjunction with the company's new electro-mechanical releaser which speeds up their removal at the cash desk.

Special ingredient of the system is the automatic gain control—a device incorporated into the hardware which virtually eliminates false alarms by screening off signals from other radio devices carried by the public or store personnel, such as transistors, calculators, camera/flash guns, electronic toys, paging/bleeping systems, electronic watches and hearing aids.

The transmitting aerials can be positioned overhead, underfloor, or in the conventional pillar form.

Company offers the article surveillance systems on a rent

● DATA PROCESSING

Backing for a non-stop machine

TANDEM Computers and Logica bave entered into an agreement under which Logica is expected to sell Tandem Non-Stop Computer systems in excess of £1m.

This pact will speed the penetration of Tandem into the UK and other European markets, adding further impetus to the already rapid expansion of Tandem.

The attraction of the zero failure computing offered by Tandem is such that the company has enjoyed fast expansion during the past 12 consecutive quarters. For the six months to March 31 this year income was $45.7m or 100 per cent up on the comparable period of 1979.

In the meantime, Systems Programming has acquired its own Tandem to help support development of a number of high performance systems particularly for the banking market.

One of these is ADS 365, a message switching facility ordered initially by the foreign exchange department of a bank to provide fail-safe information handling. Others include a test key product (ATK 365) for the authentication of telex messages and an on-line credit control and accounting system for Forward Trust (Midland Bank).

In the planning stage is a Tandem-based Swift interface or SID.

Tandem on 0895 57001—SPL on 01-636 7833.

Increased power

EXTENSIVE new software has been introdnced by Digital Eqnipment to increase the power of its 32-bit VAX-11/780 supermini in a variety of commercitl applications.

Software is based on a more versatile version of the VMS operating system, and includes new Basic and Cobol compilers, a package for data retrieval and forms generation and new versions of Fortran and Coral-66 language support.

After yesterday's look at the investment hurdles in India, a long-standing BL venture and a more recent UK alliance are examined

A chemical niche

EUROPEAN companies that are interested in tie-ups with Indian firms in the petrochemical and fertiliser sectors need first to find the right niche to sell their technical know-how and then have the patience and forebearance to wait out the long, protracted negotiating period.

One who has hit on an ideal area for collaboration and has also put in the necessary two years or so of inter-company talks and governmental approvals is Malcolm Jones, managing director of Titanium Fabricators of Sheffield.

Jones has recently returned from India after tying up the last loose ends of a collaborative agreement with Bombay-based Vulcan-Laval, which designs and makes chemical plant.

The niche Jones has found is in the area of fabrication of the special corrosion resistant metals and alloys which India increasingly requires in its petroleum and chemicals sectors. "The Indians are now at the stage for application of these metals that we were in the UK 10 to 15 years ago," he says.

A typical area for such use is oil production platform equipment exposed to sea-water corrosion. Another is in fertiliser plant. As the Indian chemical industry develops there is a demand for increased plant efficiency. These materials are needed for reliability and also for the ability to move into new chemical processes.

At the moment special metals and alloys are being imported from a number of foreign companies, many of which have no idea where they are being applied.

The collaborative agreement between TF and Vulcan-Laval will give the Indian company the know-how to fabricate process plant to the exacting standards required. The link with a well-known foreign concern in this area will also give it greater credibility in its home market.

The agreement allows for the instruction and training of technicians and engineers in TF's drawing office and workshops, the production of an information manual, and the overseeing of the first units fabricated by Vulcan-Laval. It also calls for the passing on of know-how by TF in the future.

In the first few years TF will advise on procurement from abroad of the special alloys required for fabrication, but later Vulcan-Laval hopes to develop its own expertise in crediting these special alloys.

The deal is a fairly good illustration of what is involved in transferring technology to India. Malcolm Jones was originally approached by a Vulcan-Laval representative three years ago at an exhibition in Manchester. It was a casual sort of inquiry which the company did not treat very seriously. However, about a year later a couple of Vulcan-Laval representatives arrived in the U.K., this time to visit TF's factory. During the past two years Vulcan-Laval's managing director, Mr V. A. Datar, has been to the UK three or four times.

After the first approaches, there was a period of quiet, says Jones. But he realised later that Vulcan-Laval was busy in the labyrinth of the Indian ministries acquiring the necessary approvals and permissions. "We kept getting telexes say 'please be patient' and 'things take time in India'," he says.

Advice

Vulcan-Laval also asked advice in the early stages on possible market applications for the process plant. The company was encouraged to do its own market research in India with advice from TF on the types of industries to approach.

"We, of course, know the end uses. So we provided them with quite a bit of information in this area," says Jones. "They also had a lot of questions about how we utilised our plant in the UK." Vulcan-Laval also took pains to thoroughly investigate TF's financial situation.

Now it was Jones' turn to do his homework. To learn about foreign licencing he attended a day's seminar organised by the Licencing Executive Society, an international organisation with a large branch in the UK.

It took a good six months to become fully conversant with the "why and wherefores"—all the legal technicalities. "It's only by doing this that you can properly instruct a lawyer and outline what you want to achieve," says Jones. To find a lawyer experienced in the field, Jones asked for recommendations fro mindustrial and commercial finance corporations, the small and medium sized company financing group owned by tha clearing banks and Bank of England.

The first draft of the licence was drawn up about a year ago. Vulcan-Laval countered with its own version and once a final outline was agreed upon, the document went to the Indian Government and, more specifically, the technical branch of the Ministry of Industry.

"There it filters up and down and they make substantial modifications to what your own licencing lawyer has drawn up," says Jones. "Some things you have to bend to. The government is always supreme. The agreement has to be in line with Indian law." In particular, the government expands the payment terms to ensure the know-how is passed on stage-by-stage and bought stage-by-stage.

It is particularly important for the financing to allow for the effects of inflation over the two years or so it takes to negotiate such an agreement, Jones points out. He expects Vulcan-Laval to take about three to five years to acquire the necessary experience in the use of TF's know-how, which TF has itself developed over the 10 years since its inception. After that the two companies are talking about opportunities for joint ventures to third countries.

The possibilities of later competition in the European market from an Indian company purchasing know-how like Vulcan-Laval can be avoided by introducing special terms into the licencing agreement. Jones, for instance, has insisted on a requirement that Vulcan-Laval cannot produce its equipment in any country in which TF is currently manufacturing—in other words, the UK.

Pearl Marshall

Opening the throttle

IF BRITISH Leyland enjoyed the image in Britain that it does in India, its problems would he over. Leyland went to India in the late 1940s to help the newly independent country set up its own automobile industry. By 1955, the Government had decreed that priority should be given to commercial vehicles and a collaboration agreement was signed with Leyland Motors to manufacture the Comet range of vehicles. The company's name was changed to Ashok Leyland, Ashok being the name of the son of Raghunandan Saran, who was the founder of India's automotive industry and a close associate of Nehru.

With such an illustrious history, the challenges for BL in India are different from those of a company seeking to break into that coutnry, but Leyland's experience and handling of the market offers some valuable guidance for others

BL holds a 50.6 per cent stake in Ashok Leyland (AL), and 69.1 per cent of Ennore Foundries. Located in Ennore, just outside Madras, AL has a large modern plant making commercial vehicles, mainly buses and trucks, hut also tractors, off-highway trucks, airport and defence equipment. Production last year was 12,300 vehicles, and profit before tax £7.5m, making it BL's largest commercial vehicle operation outside the UK.

AL is one of only two major commercial vehicle manufacturers in India—the other is the Tata organisation. Its particular strength is in huses, where it holds more than 50 per cent of the market. Its share of the truck market is 16 per cent. As far as buses are concerned, the figure is largely academic, since demand is essentially a function of supply. AL can point to order books for buses which would keep it busy for the next five years, but as the situation at Tata is much the same, and no imports are allowed, these considerations mean little unless there is some clear way ahead of producing the vehicles to meet that demand.

The Indian Government, both the present and the previous Janata government, is anxious that AL should expand its production capability. Licences have been readily given for a big expansion programme which is designed to raise production initially to 15,000 vehicles a year, and by 1984/5 to 27,500. Phase One, costing £25m. will start producing next year. Phase Two, which will cost up to £75m, will involve the commission of a completely new site at Hosur, between Madras and Bangalore, as well as expansion at Ennore. State aid has been made available for part of the project as part of a conscious effort to help AL reduce the dominant positionu that Tata enjoys in the truck market.

Building the capacity in India is one thing. Being able to operate it fully, however, is another. AL has already *lost* production of 500 vehicles this year because of savage power cuts that started at the beginning of February. Reductions in the supply of electricity are nothing new in India, but they do not usually start until the Monsoon season in April or May. Last year, the monsoon was poor, which has affected the output of hydro-electric power stations.

AL has been granted some dispensation because of its priority status in the economy, but the situation has proved so irksome at times that there have been *attempts* to *trade off* buses for power with the state of Kerala. AL is putting in new diesel generating capacity at Ennore, but this will not get round the problem of disruption to *component suppliers.*

Caution

In the light of this sort of problem, some caotion has to be exercised over any expansion plans. Nevertheless, AL is being positively encouraged by the Government to push up its production, and Ram Shahaney, *chairman and managing director* of AL, is enthusiastic about plans to take vehicle output up to 40,000 in eight years time. At this sort of capacity, AL would be exceeding Leyland Vehicles' own production in the UK and would be qualifying as a world force in commercial vehicles.

In any relationship between the main shareholder and the operating subsidiary, it is inevitable that there will be some areas of differing opinion on targets. Shahaney is proud of the Leyland connection, but, in accordance with the feeling that runs throughout Indian industry, he wants to operate with a good deal of autonomy. Leyland vehicles, meanwhile, wants to bring AL into a world-wide *agreement* whereby it would promote sales from the Indian operation through its own distribution system.

AL can make vehicles more cheaply than Leyland, while the type of vehicle that it is making is ideally suited to some south east Asian and African markets. But Leyland believes that AL would benefit from the superior marketing and servicing of the parent company in order to penetrate these markets.

Both Leyland and AL, however, are fully agreed that the Indian market is tha important one on which to concentrate. The potential is huge, which is why other European truck manufacturers are anxious to get in on the act. So far, the Government has refused permission, with the recent exception of allowing Ford to send a few hundred kits for assembly in India by the Simpson's group.

David Abell, chairman of Leyland Vehicles, admits he is a little confused and slightly worried about the Ford concession. He says that Leyland has stuck with India when nobody else was interested. Certainly it is true that BL's reputation in India has been built upon its early willingness to help the country set up its own vehicle manufacturing industry, while over tha years it has consistently helped AL improve upon its technical expertise.

The benefits of the Indian relationship accrue to both BL and AL. India has been consistently, though not spectacularly profitable, which is a plus point for BL. So far, BL has not been pressured to reduce its shareholding to the maximum 40 per cent stipulated by the Government. Shahaney, like most prominent Indian industrialists, is well acquainted with Indian politicians and officials, and confidently maintains that BL will not have to reduce its holding below tha present 50.6 per cent. (The balance of the equity is quoted on the stock market in India).

BL has three members on the board of AL—David Abell, R. Fryars and W. McIver. All are actively involved in AL, making frequent visits and in Fryar's case, giving a lot of technical assistance. This involvement, and the technical help, are probably the critical factors in ensuring that BL continues to be the majority shareholder.

Shahaney has openly criticised the restrictions imposed by successive Indian governments on the expansion of companies and their ambivalent attitudes towards the import of techoology. While expressing the desire that Indian companies should avail themselves of foreign technology, the politicians stipulate a limit on *the amount that can* he paid for such expertise.

Leyland Vehicles receives a maximum of $250,000 for each of its technical agreements with AL, although it is hoping to negotiate a *small royalty as* well. Currently these agreements include the development of the Leyland 400 engine, the re-design of a synchromesh gearbox specially for Indian conditions, the design and development, in conjunction with AL's own r and d department, of a three-axle truck, the design of an integral bus, again adapted for Indian requirements, and assistance in selecting machina tools for the expansion programmes. AL has also been permitted to bring in outside consultants—Ingersoll Engineers in the UK—on a productivity improvement programme.

Trucks and buses for the Indian market have to be designed and built to withstand a considerable amount of overloading, as well as long life.

Shahaney believes that not one of the vehicles made by AL over the past 25 years has yet been taken off the road.

AL's new Taurus truck has been developed with this "Indian abuse" very much in mind, and is the first indigenously prodnced three axle truck. (Anybody who has been to India will appreciate the daily punishment that is meted out to trucks and buses.)

The new integral bus has been adapted from Leyland's very successful National bus, and the first prototypes are now being tested in half a dozen cities. About half of AL's production is in buses, and these have also been successfully exported, mostly to developing countries like Sri Lanka, Zambia and Uganda. Last year, 600 buses were exported, and this year the target is 1,000.

Trucks have not so far featured much in AL's exports, although technically the Government requires 10 per cent of production to be exported by the larger companies. But Shahaney expects this to change when the new production facilities come on stream. He is hopeful that he will persuade Leyland to let him use an adaptation of a British cab for export models (the traditional Indian cab is wooden, for economy reasons, but is unlikely to be acceptabl outside India).

The bodywork on AL's vehicles is carried out by small, independent companies, and much of the component work is similarly performed outside AL. Quality control, using sophisticated equipment, is done within AL, however, and on this basis it is expected that many more small companies will grow up around AL's new site at Hosur. *The training of skilled* personnel is a key element in India's industrial development, and AL has agreed to do this in conjunction with technical institutions for both its own and the satellite companies which will be set up in Hosur.

Shahaney is proud that AL is showing itself able to finance its expansion mostly from Indian sources, although BL has provided some guarantees. Retained profits this year should be high, thanks to a "sensible" dividend policy, says Abell, and the fact that fiscal incentives from the Government for the expansion programme means that little or no tax will he paid. In addition, long-term loans are being provided by institutions, while some foreign loans, possibly including World Bank funds, will be necessary to finance the purchase of those machine tools which cannot be supplied domestically.

Delicacy

In any negotiations with Indian manufacturers, a certain amount of delicacy is necessary. It is important to appreciate that a company like AL is proud of its ability to produce a well-engineered product. The current shortfall on target production, however, is worrying Leyland Vehicles, probably all the more so because of the recent Ford incursion. Abell would like AL to agree to take vehicle kits for assembly in India in order to protect its position in the home market. He is talking about 1,000 kits initially, but recognises that there could well be opposition from AL and perhaps from the Government.

In spite of current difficulties caused by external problems, AL has been a success story for Leyland. Abell is convinced that it will be even more successful in the future, hoth in the Indian market and overseas. Shahaney shares his enthusiasm, and believes along with most other Indian industrialists that the new Government will gradually come to grips with the problems that have afflicted the Indian economy for the past 18 months. If they are right, AL could turn out to be one of the brightest spots in the BL group.

Hazell Duffy

LOMBARD

Trying to outsell the Irish

BY RAY PERMAN

HOW WELL do we sell Britain as location for maoufacturing investment? It is a question which is oeing asked mostly in Scotland at the moment, where the Scottish Development Agency has ruffled a few feathers in its brash new approach to overseas industrial promotion. The Commons select committee on Scottish affairs has decided t turn the whole issue over as its first major investigation.

But the question has a wider significance than just one part of the country. Britain depends heavily on foreign sources for its new manufacturing investment, particularly in advanced electronics, bot the competition to attract firms is already intense and will grow more so. The Irish republic is now our main rival, offering a low cost base within the EEC tariff walls. The coming expansion of the European Community to include Spain, Portugal and Greece—three states hungry for industry—will widen the ring.

Tax exemption

Up to now the UK attitude has been rather defeatist towards the Irish. We are willing to match them on grants towards start-up costs, but when it comes to taxes there seems to be no attempt to compete. At present the Irish offer any manufacturing firm that establishes a base in the republic a complete exemption from tax on exported production for ten years. From next year, as a result of European Commission pressure, the position will change, but the tax rate will then only rise to 10 per cent. Again that what has the UK to offer? A standard corporation tax rate of 52 per cent, except for very small firms.

Yet is the gulf really so great? Mr. Robin Duthie, chairman of the Scottish Development Agency, surprised American financial executives in New York last month, at the first of a series of financial seminars the agency is running in the U.S., by telling them that his own company, the camping and leisure group Black and Edgington, has not paid mainstream corporation tax for several years.

Nor is his company untypical. A high rate of inflation ensures that the value of even a static volume of stocks increases every year, giving one source of relief. Capital allowances against new investment can substantially cut the remaining tax liability.

For companies starting up plants and those in fast growing industries like electronics—one of the key targets for inward investment at the moment—where expansion and reinvestment are continual necessities in the early years, it is possible to pay no tax for as much as five years and thereafter move only slowly up to a normal rate.

Qualifications

But outside company accountants, this situation is hardly appreciated in Britain, let alone in the countries like the U.S. where we are searching for new investment. The beauty of the Irish system is that it is so simple. Nothing could be simpler than paying no tax at all, but even with a 10 per cent rate you know exactly what your maximum liability is likely to be.

Not so in the UK, where every available allowance is hedged about with qualifications. Under our system firm guarantees of tax liability cannot be given to potential overseas investors, who can find themselves bemused about what to expect if they do decide to come here.

Yet the message can be spread, by example if by no other means. It has been estimated that in the first ten years a new plant in Britain pays an average of 16 per cent tax on its profits. If overseas investors can be convinced of that then they may start to look beyond the simple tax calculation to other considerations where Britain compares very favourably with the Irish Republic.

Our communications are, for example, better, shortages of skilled labour are less acute in the UK than on the other side of the Irish Sea, we have a much larger home market, no worries about the security of our energy supplies and even our industrial relations are better (and how many American businessmen would know that?).

Two victims of a dry spring

GARDENS TODAY

BY ROBIN LANE FOX

THE DRY weather which has greeted this year's Chelsea Show (open to the public until Friday) has not done too much damage to English gardens though it may be storing up trouble for the rest of the summer.

At the expense of spring growth, it has given us a rare chance to get ahead of the weeds and rival our European neighbours. They can hoe away the first crop of green weed and reckon that the second, from late May onwards, will have to compete with strong sun.

Advantage

I have often envied this advantage of a Mediterranean garden, but the absence of rain for the past seven weeks makes me notice how it can spoil two of my favourite spring bulbs, the British grown imperial and the lily of the valley. Signs of drought are their scorched leaves and an absence or smallness of flowers. They are two of the spring flowers which I have seldom seen growing contentedly south of the Alps but which light up northern gardens by their contrasting scents and flowers in April and May.

If you want to see a really good crown imperial or a lily of the valley without effort, you should begin with the botanical illustrations in rare books which have become an investor's dream. The two flowers have an odd connection with religious imagery, one reason why the early herbalists wrote so freely about their virtues and lavished such expense on their illustration.

The lily of the valley was known to mediaeval gardeners by the name of ladder-to-heaven. Probably, this name derived from the white flowers which are set like a step-ladder up the stem, though I would like to think that it refers to the direct route of scent, the spring bulb's most heavenly asset.

The crown imperial gave a heavenly warning of a different sort. If you tip up its hanging flowers and look into their base, you will see four white spots which seem at first glance to be drops of water, so clearly do they glisten. Legend understood these as tear-drops, forced onto the flower because it refused to mourn at the Crucifixion and was obliged ever afterwards to weep and hang its head. The foxy scent of the flowers and the bulb was a punishment, surely, for the same sin.

In the early 17th century Dutch herbals, the crown imperial is more sumptuous than in any European garden since. Its brick-orange colour was caught away from all wind and weather in plates which remain an incentive to grow the bulb for yourself. The lily of the valley had an even longer history of illustration because its flowers were long trusted as a cure for obscure diseases.

The crown imperial has a big bulb like a cricket ball and is at risk to bad drainage in winter and to shortage of food and water in spring. This last taste might surprise you as its native home is in Iran from where it had entered the ruling classes' gardens in Turkey by the 16th century. Ambassadors then brought it to Europe in an age when Embassy contacts with the Middle East allowed men to fill their pockets with nothing more dangerous than flower-bulbs.

If you want to plant a crown imperial in September to flower in 1981, please remember that you must plant this large bulb quite deeply, six inches or so below the soil, and that you should tip it slightly onto one side when planting it. This helps the drainage round it, as you can then prop it on a special layer of the sandy compost which it likes. Do not leave it jammed above an air pocket; if you can stop it lying on damp soil, it will grow happily for many years.

Its other preference, visible this year, will only affect its crop of flowers. The crown imperial likes to be well watered and fed through its waxy green leaves before and after flowering. Mine have turned brown at the edge and put up the poor show which I remember from groups in Rome's villa gardens. If you give it food and water from April to June in a well drained soil, the colour, size and quantity of flower is almost as good as the Dutch artists' old view of it.

I value this bulb because it lends height and a strong line to a spring garden before the leaves are on other architectural plants. It is a godsend to new gardens as a group of three at strategic intervals will set off any young planting. I like it particularly well beside steps or on top of dry walls, a site which suits its taste. They stand as bold sentinels above the carpets of alpines which could flower on the face of the wall in spring.

The lily of the valley is quite different in its tastes. It likes semi-shade, a light leafy soil, no disturbance and a dedicated day of planting. Do not be carried away, as I have been, by the cheapness of spring bundles of corms, the so-called pips, sold by the hundred as fit to flower at once. They are a slow business when you plant them as the long roots are matted and each one must be untangled and set at a full length of six inches so that its nose is at ground level. Unless you have a long and narrow shaded bed which is full of a light soil, you will find the job of planting them as far as possible from any ladder to heaven.

Begin with a few corms and give them two years to settle in while watering freely in early summer and dressing them with a loose covering of leaf mould and powdered fertiliser in early April. The birds may remove some of this for their spring nests, but the lily of the valley only thrives if it is fed early with this mixture, the one way in which to bring out the best in it.

It is never happier than in narrow beds in a shaded town garden where it will tolerate dry shade if the soil is rich and light. There must be countless such sites, yet few gardeners think of this gloriously scented flower for them. If you can give them a wet spring you will have them at their scented best.

Far the finest variety is a British form called Fortin's Giant, the next best one being called Everest. Neither is cheap but they are certainly worth a hunt and extra money. I do not care for the pink-flowered form.

Attraction

As a look at my saddened lilies of the valley this year, I think back to their abundance in north German gardens where landlords would even demand bunches of flowers at rent. Like primroses in English woods, they attracted crowds of pickers from the towns until Whit Monday became the Day of Action for all lily of the valley lovers. "On that occasion" wrote a witness of the scene near Hanover "cottages are erected for the sale of coffee and while the gentlemen go out to pick, neither the pleasure of tobacco nor the twirling of the waltz is omitted." Time off, this May, is for less elegant ends in a year when this historic flower also is not at ease with its British season.

It looks like Raymond's day

RACING

BY DOMINIC WIGAN

BRUCE RAYMOND, one of the strongest jockeys now riding and one who does not, in my opinion, get as many opportunities as might be expected, could be the man to follow today.

Raymond, who notched up 58 winners in Britain last season (15 fewer than his best total of four seasons back), rides in the afternoon at Kempton, before flying north to Ripon. I hope to see him take the opener on the Sunbury course with Bugatti, and then go on to further successes with Halba and Double High.

His best prospect looks to be Raymond Clifford-Turner's Double High in the Yorkshire track's Allhallowgate Handicap. Double High, a bay son of High Top, has been one step ahead of the handicapper this season, and completed a hat-trick last time out when landing Brighton's Ovingdean Handicap.

In spite of the 5 lb penalty, the Michael Stoute-trained three-year-old looks weighted to land the 7.20 event, in which Karlinsky, a recent disappointment, is much preferred to the other three runners for forecast purposes.

Returning to Kempton, by far the most valuable event is the 1¼-mile Clive Graham Stakes, which sees six—Cracaval, Main Reef, Fluellen, Sea Chimes, Laska Floko and New Berry—competing for the £10,000 prize.

My idea of the likely outcome is a victory for Cracaval, who was in no way disgraced when going down to that extra smart pair, More Light and Valour, in the Jockey Club Stakes at Newmarket three weeks ago.

Later, it will be interesting to see whether Le Soleil can repeat his victory of a year ago in the Mortar Mill Handicap. He may do so, but with an extra stone in the saddle, his task looks formidable. A better prospect is probably Queen's Garden, a half-sister by Mill Reef to Meadowville.

KEMPTON

2.00—Bugatti
2.30—Halba
3.00—Swinging Trio
3.30—Cracaval***
4.00—Heavenly Valley
4.30—Queen's Garden*

RIPON

6.30—Cleat
7.20—Double High**
7.50—Carlyle

TV Radio

BBC 1

† Indicates programme in black and white

6.40-7.55 am Open University (Ultra high frequency only). 9.35 For Schools, Colleges. 11.25 You And Me. 11.40 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill At One. 1.45 Heads and Tails. 2.01 For Schools, Colleges. 3.53 Regional News for England (except London). 3.55 Play School (as BBC-2 11.00 am). 4.20 Heyyy, It's the King. 4.30 The Record Breakers. 4.55 John Craven's Newsround. 5.05 Huntingtower. 5.35 The Wombles.
5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
6.55 The Wednesday Film: "Ja, Ja, Mein General! But Which Way To The Front?" starring Jerry Lewis.
8.30 Lena, starring Lena Zavaroni.
9.00 News.
9.25 The Risk Business.
10.00 Sportsnight.
10.50 Target.
11.40 Weather/Regional News.

All Regions as BBC-1 except as follows:

Cymru/Wales—5.55-6.20 pm Wales Today. 6.55 Heddiw. 7.15 Ask The Family. 7.40-8.30 High Chaparral. 11.40 News and Weather for Wales.

Scotland—12.40-12.45 pm The Scottish News. 5.55 Reporting Scotland. 6.15-6.30 General Assembly. 6.30 John BBC-1 (Nationwide). 10.50 Is Nobody There? 11.20 News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 8.30-9.00 Spotlight. 11.40 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Newcastle); Look North West (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
10.20 Gharbar.
11.00 Play School.
2.15 pm The Goodwood May Meeting at Kempton.
4.50 Open University.
6.55 Swim.
7.20 Mid-evening News.
7.30 Chronicle.
8.20 Arena.
9.00 Chelsea Flower Show.
9.30 Midweek Movie: "Daisy Miller," starring Cybille Shepherd.
11.00 Newsnight.
11.40 Grapevine.

LONDON

9.30 am Schools Programmes. 11.55 Barney Google and Snuffy Smith. 12.00 Cloppa Castle. 12.10 pm Rainbow. 12.30 Camera: Early Photography. 1.00 News plus FT Index. 1.20 Thames News. 1.30 Take The High Road. 2.00 After Noon Plus. 2.45 Fantasy Island. 3.45 Square One. 4.15 Michael Bentine's Potty Time. 4.45 Breakers. 5.15 Leave It To Charlie.
5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 This Is Your Life.
7.30 Coronation Street.
8.00 TV Times Top Ten Awards.
8.40 Murphy's Stroke.
10.00 News.
10.30 The British Home Championship: Scotland v. Wales.
11.30 Wheels.
12.00 Barney Miller.
12.25 am Close: Personal choice with Isabel Dean.

All IBA Regions as London except at the following times:

ANGLIA

1.25 pm Anglia News. 2.45 Houseparty. 3.15 Doctor Down Under. 5.15 Barney Miller. 6.00 About Anglia. 12.00 Police Surgeon. 12.30 am The Big Question.

ATV

1.20 pm ATV Newsdesk. 5.15 How's Your Father? 6.00 ATV Today. 11.30 ATV Newsdesk. 11.35 Wheels.

BORDER

1.20 pm Border News. 2.45 Houseparty. 3.15 How's Your Father? 5.15 Happy Days. 6.00 Lookaround Wednesday. 12.00 Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where and Weather. 5.15 Happy Days. 6.00 Report At Six. 10.28 Channel Late News. 11.30 Celebrity Concert (Neil Sedaka). 12.25 am News and Weather in French followed by Epilogue.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 2.50 Love Doubles. 5.15 Happy Days. 6.40 Police News. 6.00 North Tonight and Area Weather Forecast. 11.30 Reflections. 11.40 Wheels. 12.05 am Barney Miller. 12.30 North Headlines.

GRANADA

11.50 am Cartoon. 1.20 pm Granada Reports. 2.00 Live From Two. 2.45 Love Doubles. 3.45 The Amazing World of Kreskin. 5.15 How's Your Father? 6.00 Granada Reports. 6.30 This Is Your Right. 12.01 The Odd Couple.

HTV

1.20 pm Report West Headlines. 2.45 Love Doubles. 5.15 Dick Tracy. 5.20 Crossroads. 6.00 Report West. 6.30 Studio 80. 11.30 Musical Specials.

HTV Cymru/Wales—As HTV West/HTV General Service except: 1.20 pm [illegible] Newyddion Y Dydd. [illegible] Report Wales Headlines. 4.45-5.15 [illegible] 6.00 Y Dydd. 6.15-6.30 Report Wales.

SCOTTISH

1.20 pm News and Road and Weather. 1.30 Take My Wife. 2.50 Love Doubles. 5.15 Popeye. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Emmerdale Farm. 11.30 Late Call. 11.40 Wheels. 12.10 am Police Surgeon.

SOUTHERN

1.20 pm Southern News. 2.45 Houseparty. 3.15 The Entertainers (The Wurzels). 5.15 Mr. Magoo Cartoon. 5.20 Crossroads. 6.00 Day By Day. 6.35 Scene Midweek (South-East area only).

TYNE TEES

9.20 am The Good Word followed by North-East News. 1.20 pm North-East News and Where The Jobs Are. 2.45 Andy. 3.15 In Search Of . . . Earthquakes. 5.15 Laverne and Shirley. 5.50 North-East News. 6.02 Crossroads. 6.25 Northern Life. 10.30 North-East News. 11.35 Power Without Glory. 12.30 am Epilogue.

ULSTER

1.20 pm Lunchtime. 2.45 Love Doubles. 4.13 Ulster News Headlines. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 10.29 Ulster Weather. 12.00 Bedtime.

WESTWARD

1.20 pm Westward News Headlines. 5.12 Gus Honeybun's Birthdays. 5.15 Happy Days. 6.00 Westward Diary. 10.28 Westward Late News. 11.30 Celebrity Concert (Neil Sedaka). 12.25 am Faith for Life. 12.30 West Country Weather, Shipping Forecast.

YORKSHIRE

11.55 am Cartoon Time. 1.20 pm Calendar News. 2.45 Love Doubles. 5.15 Survival. 6.00 Calendar (Emley Moor and Belmont editions). 12.00 The Mary Tyler Moore Show.

Radio Wavelengths

1 1053kHz/285m, 1089kHz/275m
2 693kHz/433m, 909kHz/330m & 88-91vhf stereo
3 1215kHz/247m & 90-92.5vhf stereo
4 200kHz/1500m & 92-95vhf

BBC Radio London: 1458kHz, 206m & 94.9vhf
Capital Radio: 1548kHz 194m & 95.8vhf
London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(S) Stereophonic broadcast
‡ Medium wave

5.00 am As Radio 2. 7.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Andy Peebles. 4.31 Kid Jensen. 7.00 Radio 1 Mailbag. 8.00 Mike Read. 9.50 Newsbeat. 10.00 John Peel (S). 12.00-5.00 am As Radio 2.

RADIO 2

5.00 am News Summary. 5.03 Ray Moore (S). 7.32 Terry Wogan (S). 10.03 Jimmy Young (S). 12.03 pm David Hamilton (S). 2.03 Ed Stewart's Request Show (S). 4.03 Much More Music (S). 5.00 News. 5.05 Waggoners' Walk. 5.20 Much More Music (S). 6.03 John Dunn (S). 8.02 Listen To The Band (S). 8.45 Alan Dell with Dance Band Days. 9.15 Among Your Souvenirs (S). 9.55 Sports Desk. 10.02 Punch Line. 10.30 Hubert Gregg says Thanks for the Memory. 11.02 Brian Matthew with Round Midnight, including 12.00 News. 2.02-5.00 am You and the Night and the Music (S).

RADIO 3

†6.55 am Weather. 7.00 News. 7.05 Your Midweek Choice, part 1 (S). 8.00 News. 8.05 Your Midweek Choice, part 2 (S). 9.00 News. 9.05 This Week's Composer: Tomkins (S). 9.35 Martinu and Berg chamber music concert (S). 10.25 Music for Organ (S). 11.05 BBC Scottish Symphony Orchestra Concert, part 1 (S). 11.50 Interval Reading. 11.55 Concert, part 2. 1.00 pm News. 1.05 Concert Hall (S). 2.00 Music Weekly (S). 2.50 Fifty Years of British Music (S). 3.50 Mozart and Schubert Piano Music (S). 4.55 News. 5.00 Mainly for Pleasure (S) († and mono only from 6.20). 7.00 Music Now: The Musicians' Union. 7.45 Building a Library of records (S). 8.50 Six Continents. 9.15 Garrick Ohlsson piano recital (S). 10.15 Berlin Philharmonic Orchestra (S). 11.00 News. 11.05-11.55 Closedown: Music by Britten (S).

VHF Only—Open University: 5.00-7.00 am and 6.20-7.00 pm; and for Scottish students only: 12.00-1.00 am.

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day; 7.00, 8.00 Today's News; 7.30, 8.30 News headlines; 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Mid-Week with Valerie Singleton. 10.00 News. 10.02 Gardeners' Question Time. 10.30 Daily Service. 10.45 Story Time. 11.00 News. 11.05 Baker's Dozen. 12.00 News. 12.02 pm You and Yours. 12.27 Just A Minute (S). 12.55 Weather; programme news. 1.00 The World At One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Listen With Mother. 3.15 Afternoon Theatre. 4.00 Choral Evensong (S). 4.45 Short Story. 5.00 PM News magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 My Music (S). 7.00 News. 7.05 The Archers. 7.20 Checkpoint. 7.45 Person to Person. 8.45 File On 4. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Wrinkles (S). 11.00 A Book At Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 4.30 London News Desk. 5.35 Look, Stop, Listen. 7.03 Black Londoners. 8.00 Question Time from the House of Commons. 9.00-5.00 am Join Radio 2.

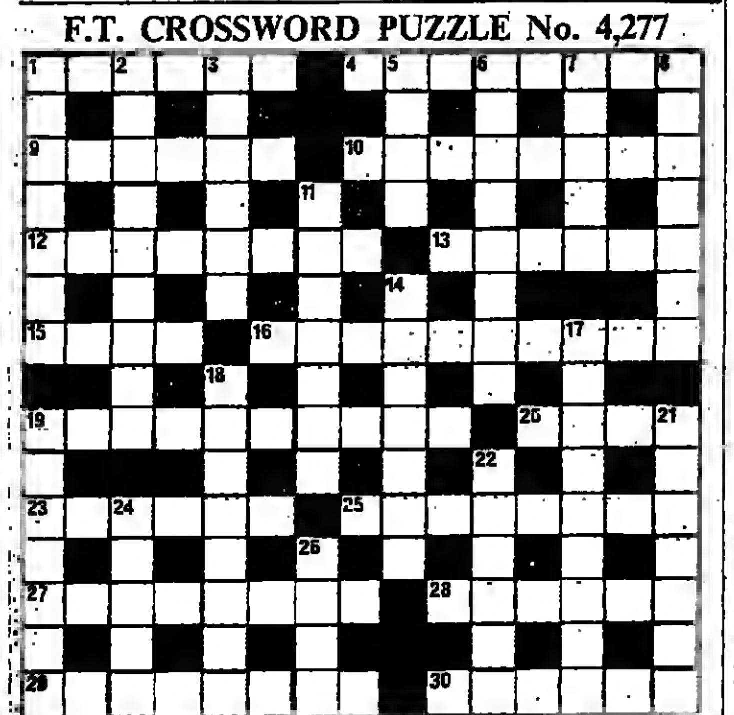
London Broadcasting

5.00 am AM with Bob Holness and Des Fahy. 10.00 Brian Hayes. 12.00 LBC Reports. 8.00 pm Jazz After Eight: Keith Howell. 9.00 Mike Dickin—Nightline: Douglas Moffitt on Insurance. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 5.00 Morning Music.

Capital Radio

6.00 am Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 1.00 pm London Today First Report (S). 1.10 Dave Cash (continued). 3.00 Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Nicky Horne's Your Mother Wouldn't Like It (S). 1.00 Tony Myatt's Late Show (S). 2.00 am Duncan Johnson's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 4,277



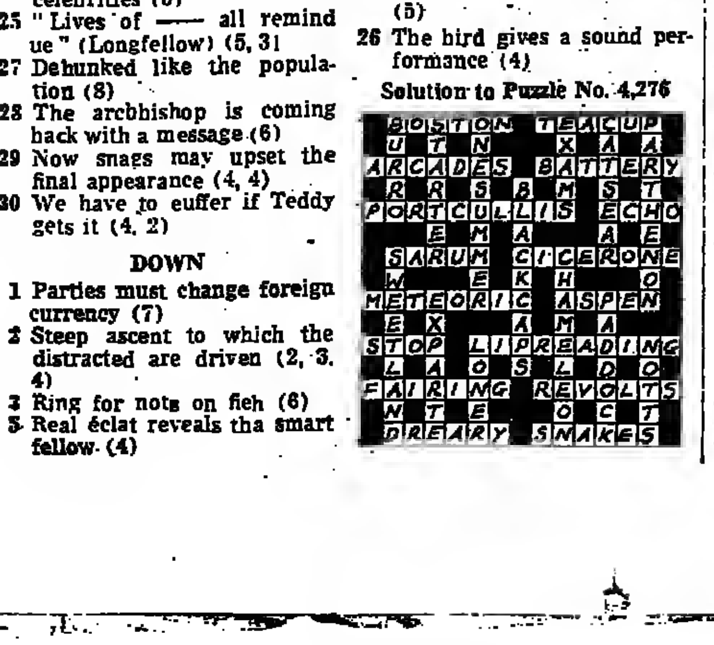
ACROSS

1 Tests for a doctor in addition (6)
4 Masseur gets the bacon (4, 4)
9 There is fashion in any famous Roman (6)
10 What a pity! It is doubly expensive (4, 4)
12 Fast movers in the Navy (3, 5)
13 There is little room to be defeated in court (6)
15 Dash to be seen in Gabriel and Michael (4)
16 The result of bad investment may lose point in court (4, 6)
19 Nevertheless there isn't any difference (3, 3, 4)
20 Oxford crew is twice in the river (4)
23 The way up for one among celebrities (6)
25 "Lives of —— all remind us" (Longfellow) (5, 3)
27 Debunked like the population (8)
28 The archbishop is coming back with a message (6)
29 Now snags may upset the final appearance (4, 4)
30 We have to suffer if Teddy gets it (4, 2)

DOWN

1 Parties must change foreign currency (7)
2 Steep ascent to which the distracted are driven (2, 3, 4)
3 Ring for nots on fish (6)
5 Real éclat reveals the smart fellow (4)
6 He depends upon the start of an epitaph (4, 4)
7 "A good man's fortune may grow out at —" (King Lear) (5)
8 Moralist makes a play on words about the girl (7)
11 Engineer a code of repentance (7)
14 To make petition about one master is original (7)
17 Constellation—was it found by Goldilocks? (4, 5)
18 Vehicles that cause disturbances after tea (8)
19 Four directions in classical art give the solutions (7)
21 Garment that suits the bachelor to a T (7)
22 USA state includes the right type of soldier (6)
24 Deific claim to the beginning (5)
26 The bird gives a sound performance (4)

Solution to Puzzle No. 4,276



ENTERTAINMENT GUIDE

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EXHIBITIONS

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THE ARTS

Telivision

The BBC's own goal

by CHRIS DUNKLEY

The BBC has, at last, only about 10 years late, begun to stand up for itself publicly and air its political (not party political) grievances, though it has done so in precisely the style you would expect. Last week's *Man Alive* called "What Price the BBC?" offered us a combination of film reports, studio discussion and interviews which bent so far backwards in tha attempt to be fair to BBC critics that tha Corporatinn was often in danger of committing suicide while the balance of its programme was undisturbed.

Robert Frost said that an extreme liberal was someone who, lo edidtion to benig teptative about this own argument, insists on providing, unsolicited, a platform for his opponents and competitors, and furthermore a chairman whose arguments as devil's advocate against bis own side are rather more vigorous and effective than anything the opposition can manage by itself.

All thoroughly traditional practice within BBC current affairs programmes, you may think. Yet elsewhere, notably in its current affairs flagship *Panorama*, the BBC is now allowing the production of programmes which adopt unmistakably partisan and even political attitudes. Tom Mangold's tendentious report on California's Proposition 13 was one case in point and last week's energetic hatchat job on Franz Josef Strauss was another.

It rapidly became clear that reporter/prodncer Tom Bower felt deep antipathy towards Strauss, that he saw bim as a dangerous right wing extremist, that he was determined to convey this impression to the audience.

Thus film of a meeting between Pinochet and Strauss was promptly followed by pictures of dead Chileans. The anoouncement that Strauss was colsely involved in the German decision to buy Amarican Starfighters was accompanied by an assembly of clips setting up a visual connection between the figure of Strauss and the images of crashed and burning aircraft and pilots' funerals. Bower (the man who once spliced a chunk of *Holocaust* into a real documentary film about concentration camps) even filmed damaging statements about Strauss from a diary which be then admitted was "of doubtful authenticity."

Though Bower failed to produce any firm evidence of the Nazi collaboration which he mentioned I would personally be sorry anyway to see Strauss achieve any more power in Germany. However I am also sorry to see how little there is to choose between the techniques of imputing guilt by pictorial association developed by the Nazis's and those used by the Nazi-loathing Bower.

Yet I would be even more sorry to see the BBC put a stop to this sort of heavily committed journalism. Wht they should do, I believe, wbeo they decide in a particular programme to abandon their long vaunted rules of neutrality, objectivity, and balance is to announce the fact very clearly.

And now that they are allowing parti-pris programmes it is surely time that somebody—preferably a freelance such as Roger Graef or an independent such as Michael Peacock or indeed Jeremy Isaacs who did feature if all too briefly in *Man Alive's* programme—were contacted to make just sucb an unashamedly partisan programma about the BBC itself.

This column bas oever besitated tn attack the BBC when its standards have slipped or its output deterorated. Indaed it has attracted odium from the corporation in the last year for repeatedly pointing out that the proportioo of trivia within BBC programmes has been increasing and should be reduced. Snch complaints, bowever, bave always been madein the understanding, too often tacit perbaps, that the BBC is the best broadcasting organisation in the world.

It bas not helped much with the credihility of this supposed truism that it has emanated ao often from the corner of some chanvinist politician's mouth only moments before be or she has refused out of the other corner to permit a proper increase for the licence fee. It *has* helped, bowever, to bear it repeated by politicians and professional broadcasters in numerous other countries.

Which is not to suggest that the BBC is perfect but simply that it is better, and in most cases much better, than broadcasting organisations everywhere else. And sioce there are so few matters in which this country can now make sucb a claim, it does seem criminal lunancy that despite its proven cost efficiency, despite operating on the lowest licence fee in Europe, the BBC has been deprived by successive governments of the increases necessary to sustain those world laading standards.

It is surely absurd, for instance, that in order to raise the last fraction of prodnction money to make *Life on Earth* it was felt necessary to sell the foreign rights and thus allow somebody else to reap the profits from around the world of wbat turned out to be an immense International success. Details nf this sort, which bring a vividness BeotthCB s-n ... a vividness to tha BBC's justifiable complaints, were mentioned vaguely in *Man Alive* but far too often lnst amid the polite process of allowing ITV to cloud the issue.

And let no nne imagine, incidentally, that ITV would differ mucb from commercial television elsewhere in the world if it weren't for the bnge thongh subtle social and professinnal pressures put upon its managers to aspire to the standards of Britain's senior broadcasting organisatioo, the BBC.

On *Man Alive* ITV were allnwed to give the impression that the BBC could save money oo sport if only they would accept ITV's wholly altruistic sharing system. Nobody made clear that what ITV actually wants is for the more successful sports brnadcaster (the BBC) to band over alternate occasions to ITV so that they can bave the unopposed run at the ratings which tbey come out on top. They were allowed to imply that although the BBC bad once done the overwhelming proportion of tbe training in British broadcasting and become the involuntary suppliers of ITV's trained talent, things were now quite different, when actually things are almost unchanged.

But I am falling into the very trap I am describing. The trouble was that the squabbles over detail obscured the most important fact: that although true excellence in any field is desperately hard to coma by, the BBC achleves it with staggering frequency.

In the past week BBC1 bas presented a wooderfully well crafted if deeply saddening account of the later life of J. R. Ackerley, called *We Think The World Of You*. BBC2 has glveo us another in the funniest topical comedy series on British television since TW3 in 1962, *Not The 9 O'Clock News* (*Monty Python* nnt being comparably topical, but all three series being BBC productions anyway). BBC1 has offered *The Flying Machines Of Ken Wallis* with autogyro sequences that were pure Disney and an account of wartime Wellington missions which was both dreadful and enthralling. BBC2 has repeated Michael Frayn's brilliantly evocative song of the suburbs *Three Streets In The Country*. BBC1 bas fnund a superbly articulate astronomer named Heather Couper to join Patrick Mnore nn the 24-year-old series *The Sky At Night*, one of the BBC's many special enthusiasts' programmes.

There may be some sense in a government declining to belp lame ducks. But to let meanness lead to the starvation of a unique prize swan when it goes on flying aa higb as this is madness.

Having said all that, however, there is one little annoyance that the BBC might attend to: someone should remind staff abont the meaning of "literally" since it is being misused almost daily and will soon become as useless as "incredibly" unless action is taken. On last week's *Blue Peter* Tina Heath told milliona of children that two young gymnasts had "literally swept the board" in a competition. Far from meaning that they had wielded brooms she actually meanl that they had figuratively swept the board, of course. Later the same day on *Brass Tacks* a member of the public who had, presumably, been watcbing too much television claimed that Cruise missiles will be "literally on our doorsteps." On *Wildtrack* Su Ingle declared that at one time "Britain was literally covered in ponds" and so it goes on. Memo to all producers: No way is this a viable usage. but action oow could stop the rot. Hopefully.

Kevin O'Shea and Benjamin Whitrow in 'We Think The World of You'

Coliseum

Die Fledermaus

by DAVID MURRAY

This has not been a lucky season for operetta revivals, and so it is a particular pleasure to find an honest, friendly and zestful Fledermaus at the English National Opera. Where the recent Royal Opera version was elaborated into a protracted joke at the expense of Strauss's piece, this production by Glyn Byam Shaw and Tom Hawkes always respects the comic proprieties. The drawbacks of a too-large house can't be wished away: Howard Williams' sympathetic treatment of the orchestra cannot give it the immediate bite one would like, and the principals must steer their way between overplaying for the Upper Circle and farcical restraint that would delight only the first dozen rows. The spirit of the thing is palpably there.

The cast contains no weak link. Marilyn Hill Smith's Adele is engagingly bright and excellently sung; the reliable Eric Shilling and John Brecknock take their opportunities as Colonel Frank and the insouciant Alfred to well-judged effect. Lois McDonall's Rosalinda, a big, voluptuous cat, and Emile Belcourt's easy-going Eisenstein are a nicely matched comic couple, perhaps a trifle too relaxed to carry off their masquerades with the full risky panache. One would like a little more sense from the start that they are courting real trouble — Miss McDonall seems too sensible for such flightiness; but the ensembles go with great verve.

A vintage Prince Orlofsky should be beady eyed and world-weary where Lynn Barber is so far only play-acting, but the natural advantages she brings to the role are splendid — a precisely ripe mezzo and an ambiguously seductive person. Her party is a mite staid: after the effervescent prelude to the act, the curtain rises on a static tableau, and later nobody seems drunk enough to lurch into "Du und du" with the right boozy bonhomie. The curse of irrelevance is neatly taken off the ballet by letting the principals stumble into it, and we are spared any extra interpolations. Clive Dunn's Frosch does a whole rubber-kneed ballet of his own in the prison scene, and stops in time for the plot to take hold again. It stays lively and funny to the end, and I was still humming the tunes when I got home.

Leonard Burt

Emile Belcourt as Eisenstein and Lois McDonall as Rosalinda

Festival Hall

Elgar and Milner by PAUL DRIVER

The Music Makers, Elgar's last major choral/orchestral project, to a text by Arthur O'Shaughnessy, belong by date firmly in this century but it also implies, uniquely among his works, a distinctly modern sensibility. To evoke the poem's theme of the artist who yet proves to be chief legislator ("we are the movers and shakers/Of the world for ever, it seems") Elgar chose a method of systematic self-quotation, weaving a tapestry of melodies, snippets and mannerisms from the whole range of his music. He had used quotation with unforgettable power in the *Enigma Variations* (of Mendelssohn and Beethoven) but never before made it the very basis of a work and thus closely anticipated the allusive, ironic spirit of much music of the present day.

A link immediately presents itself with many of Tippett's works, the Third Symphony perhaps, whose moral-political concern the cantata shares, or the Fourth whose same means of terminal self-survey it employs. One might even mention Robin Holloway: his Second Concerto for Orchestra is comparably a big canvas packed with familiar tunes free-floating in a context of irony and pathos. But there are two problems posed by the Elgar. One is that, rather like Tippett's Fourth Symphony, the conception—however inherently attractive to Elgarians or Tippettians—has been somewhat shoddily under-achieved. And the second is that, partly through this ultimate failure of conviction but mainly because a forward-looking idea has been garbed in a too manifestly 19th century fashion (steeped in Three Choirs ambience), it is not made clear whether we are in fact to take the play of allusion ironically or not. One is unsure whether pathos or affirmation prevails in the end: the more strange in that Elgar's music usually thrives on this very ambiguity. Here we need to know.

The Royal Choral Society with the London Symphony Orchestra conducted by Meredith Davies persuasively engaged the listener in such questions on Monday evening. Alfreda Hodgson was an eloquent contralto soloist though drowned on at least one crucial occasion. There were moments too when one lamented the inability of even the best large choirs to produce a *ppp*.

The programme was completed by the first public performance in London of Anthony Milner's dramatic oratorio *The Water and the Fire* (1961)—, work and a composer neglected not inexplicably, but he does not obviously woo his audience, but nonetheless unjustly. Here the title symbols are given varying allegorical significances during a progression from tempestuous opening darkness of sin via a slow-paced but finally compelling reconciliation to an ecstatic state of redemption hailed by the walk-on of a choir of boys who then gleefully shake handbells. The work was a little drawn out at over 60 minutes length (possibly the conductor's fault too), but Milner's austere technical command and urgency of vision were deeply impressive.

St. John's, Smith Square/Radio 3

Garrick Ohlsson by DAVID MURRAY

Monday's BBC lunchtime concert was given by the pianist Garrick Ohlsson. He began with a solidly impressive account of Beethoven's E-Flat Sonata, Op. 27 No. 1 — the companion-piece to the "Moonlight" Sonata, far less often heard and formally still mre experimental. (The E-Flat shares with the "Moonlight" the label "qnasi una fantasia.")

It was a strong and balanced perfnrmance, severely faithful to the text; if the Adagio had an unwonted ponderousness, a trudging beat without much grace, it took its place in the whole structure well enougb, and there was brilliant athletic wash in the scherzo.

The rest of the programme had not the same ring nf conviction. The five tough little pieces of Schoenberg's Opus 23 were scrupulously studied but delivered with a kind of nervous impatience which diminished their expressive contrasts. The extravagant syncopations request a sturdier background pulse than Ohlsson let us bear; the final Waltz, in particular, lost touch with any human dance. The connection needs to be preserved, even at several removes.

In the closing Liszt group, the second "Valse Oubliée" was almost as brittle, but at less of a cost and Ohlsson found the right *louche* glitter for it. From the transcendental Studies, "Paysage" waa impossibly fretful and ruffled—wbat can he think this limpid sketch is about? — and the driving rhythms of "Wilda Jagd" were contracted into a series of stutters and barks, with the peroration marred by many wrong notes. His Chopin encore, the C-sharp Minor Nocturne, was far more idiomatic and assured, a welcome reminder of his real strengths.

Elizabeth Hall

Fires of London by MAX LOPPERT

On Monday the Fires revived Peter Maxwell Davies' *Vesalii icones* (1969). Enacted by its original choreograpber-protagonist William Louther, conducted by the composer, with a new (and superb) solo cellist in Alexander Baillie, it left a rich, disturbing, multifaceted impression. Though long familiar with the score by means of tha recording, I had never before seen this famous music-theatre piece staged; and in the aftermath of so unsettling an experience am emboldened to declare it the most powerful of all such Maxwell Davies pieces. Unlike, say, *Revelation and Fall* or *Miss Donnithorne's Moggot* (especially in its less than accomplished Fires realisation), it positively insists in every detail upon full music-theatre performance: the music alone is less than half the story.

Vesalii icones is several things at once, all of them posed in soma kind of dramatically fruitful antagonism: chamber mnsic and dance-mime drama; Passion Play and evocation of Vesalius analomical imagery; medieval mystery and surrealist farce. Polarities are contrived between dancer and cellist, dancer and musical ensemble, players and audience, in a subversion of every image relayed and every idea proposed—the Antichrist finale, though on this occasion too rudimentarily lit to make the fullest possible shock effect, comes as the climax of the gargoyle quality in the invention, in which foxtrots, Victorian hymn tunes, and snatches of "The Sound of Music" contradict long, limpid melodic lines, and in which the typewriter, klaxon born, out-of-tuna autoharp and honky-tonk piano simultaneonsly set down their own, and interrupt other, musical points.

This was the second half of a typical Fires concert—which means it was one of the most treasurable of its kind. We also heard two Bach Preludes and Fugues, delicate, witty, musically respectful and at the same time discreetely blasphemous; and a brilliantly spry reading (by Phillipa Davies and Stephen Pruslin) of the Boulez piano-flute Sonatine, alive to both the fierce rigour of its structural disciplines and tha luxuriant exoticism of its colouring. Judith Weir's *King Harald Sails to Byzantium*, in its London premiere, proved to be a short, untroubling stretch of programme music—enjoyable for the prettily picturesque quality of its sound inventions suggesting the sway and swirl of a sea journey, though exposiog along the way a want of atmospberic variety.

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The Governor's olive branch

WE FULLY support the Bank of England in its initiative to improve prudential control of the modern business of international banking. Banks today are extending loans to the developing world whose prospects for repayment are slim. They are financing those loans in part with short term funds. They are placing unprecedented reliance upon the interbank money markets to obtain those short term funds. It is a pyramid of trust which looks increasingly unstable.

New techniques

So the Governor of the Bank of England was right to tell bankers in the City of London yesterday that there has been insufficient debate among bankers of this matter and that "there are real problems of how the age-old principles of prudent banking should be applied in circumstances of some important changes in financial structure and market, and in the light of recently developed banking techniques."

The trouble for the Bank is that what it perceives as an exercise to "provoke thought" is viewed by banks as advancing regulation, nothing less, and regulation which reflects the working of academic minds somewhat detached from the day-to-day problems faced by bankers.

There are two issues over which the Bank's attempts to improve its "flexible and participative" approach to bank supervision are leading to unseemly confrontation. The governor talked about both of them yesterday.

Second tier

First, it became clear in the speech itself that "branches of major foreign banks of undoubted standing" will be included in the list of licensed deposit takers rather than that of banks. It is, alas, far too late to attempt to persuade bankers, as the governor yesterday tried eloquently to do, that the second tier of UK deposit takers is as honourable as the first. Some major foreign banks are going to be made angry by the final lists when they are published.

The second issue is the paper on the measurement of liquidity. This paper suggests the development of an "integrated test of liquidity"—a way of analysing whether each bank can assemble enough cash quickly enough to see it through a sudden bunching of deposit withdrawals, the failure of a borrower to repay, or some such financial shock.

One important novelty in the Bank's approach is that it is inherently sceptical of the ability of the interbank market to supply banks participating in it with liquidity. The proposed liquidity requirements therefore come down quite heavily on banks which have taken short-term deposits from other banks.

It is difficult to find a banker or a banking economist in the City in favour of the Bank's liquidity paper. The reaction against it has been strong. Its strength is probably due to the fact that bankers do not view the paper as the first shot in a discussion but as the first draft of something close to regulation. The language of the paper itself justifies that view.

The Governor yesterday tried hard to reverse that impression had issued "consultative papers with his assertion that the bank —not tablets o fstone" and that the bank welcomes a "wide-ranging, probing discussion in a calm and open-minded way." The banks are certainly justified in taking the Governor at his word in the future.

Not captive

The problem is that the Bank must carry banks with it, not antagonise them, in its examination of "the degree to which the modern techniques of liability management and mismatching of liabilities" are sound.

The Bank is talking here of the core of the business of banking. It is not talking to a captive audience, but one which can drift away from London for the same regulatory reasons that banks once drifted towards it.

The Governor admits that the Bank of England is pioneering in this respect. We have consistently argued that it is difficult for one banking centre to pioneer the supervision of a global banking market. The results of London's "probing discussion" of liquidity need to be endorsed by the central banks and banking supervisors of other countries if they are not to end up as a well-meaning disincentive for banks to operate here.

A lost chance in Korea

THE SWIFT suppression of student demonstrations throughout South Korea over the past three days has demonstrated the true extent of military control in the country. Hopes of a gradual transfer to civilian rule, fostered since the assassination of President Park six months ago, have in all probability been dashed.

The new martial law Administration, declared on Saturday, claims it will restore democracy as soon as possible. But it is hard to take such promises at face value. It is more likely that a unique chance to demolish the authoritarian system of government created by President Park has been lost.

Security

For the conservative military leaders, always close to President Park throughout his 18 year rule, national security is paramount. They see the threat to security from North Korea, their Communist neighbour, as too great to risk civilian rule. North Korean military threats were used throughout President Park's rule to justify harsh authoritarian government.

The weekend's developments must be an acute embarrassment to Washington. Not only does it show another U.S. ally in a state of domestic crisis, but it puts the 30,000 U.S. troops based in South Korea in an invidious position. Since the assassination of President Park on October 26 last year, Washington has keenly encouraged the South Korean Government to slough off the draconian "Yushin" constitution devised by Park and move towards democratic rule.

Students

For some time, it looked as if progress was being made. The country accepted Park's assassination with surprising calm. Industrialists proclaimed to the world that it was business as usual. The government of President Choi Kyu Hah announced a programme for establishing civilian rule. Only in March did student dissatisfaction over the slow progress in formulation of plans burst into the open.

Students in South Korea, a powerful political force ever since they toppled Dr. Syngman Rhee, the country's first President, in 1960, have consistently demanded three things; abolition of Park's "Yushin" constitution; full elections; and the resignation of President Choi and the military (and KCIA) leader Chon Doo Hwan.

The focus of unrest has been Kwangju, a city south-west of Seoul and the home town of the powerful dissident leader, Kim Dae Jung. Kim was recently jailed for his persistent and stinging criticism of the government. Countrywide protests have only emerged during the past three weeks, but they have gathered momentum with remarkable speed.

The military response has been as prompt and harsh as it has ever been in the past. After declaring martial law on Saturday, politicians, students, labour leaders and civil rights leaders were arrested throughout the country. All universities and colleges have been closed, military reinforcements have been called into Seoul and all other regional capitals.

Figurehead

Yesterday saw the resignation of the entire Cabinet, including Prime Minister Shin Hyun-Hwak. Control of the country falls into the hands of President Choi, but he cannot be looked upon now as any more than a figurehead. The man in real control is Chon Doo Hwan, who has the army and the powerful secret service, the KCIA, in his grasp. General Chon is loyal to the memory and style of President Park's Government, and has shown no interest in democratic rule. Student protests were still reported yesterday, and the city of Kwangju was still under siege, but resistance is unlikely to last long in the face of concerted military action.

In spite of social upheavals, the economy has proven surprisingly resilient. True, inflation has leapt to 18 per cent (in large part because of oil price increases), unemployment is rising, and industrial production has not been growing in recent months at the impressive rate of the 1970s. But South Korea is still a strong economic force in north-east Asia. The political crisis which has now erupted seems to have little to do with the economy, and does not seem to have created any fresh economic problems. Just how long this will remain the case is open to question.

The world may have enough oil for 63 years

BY RAY DAFTER, Energy Editor

BY rights, the latest wave of oil price increases should not be happening.

There are good reasons to believe that supplies will be more than adequate to meet demand throughout the coming year, including next winter. Stocks are plentiful. And prices are already at a level which is encouraging the energy industry to begin developing some of the alternative fuels.

Against this background oil consumers should be enjoying some respite from the relentless escalation of prices. After all, if pricing stability cannot be encouraged in these circumstances, what chance will there be when supply and demand become tightly balanced again? But, as one senior oil man put it yesterday: "Oil is no longer an economic commodity. It is political."

When Saudi Arabia announced a $2 a barrel increase a few days ago, it did so not only to bring its tariffs more in line with those of other producers but also as an attempt to encourage a realignment of prices among members of the Organisation of Petroleum Exporting Countries which meet in Algiers early next month.

Such a gamble was made in December and January. It failed then and it looks like failing again. On Monday Libya and Indonesia announced price increases of $2 a barrel and Algeria added $1. Yesterday came news that Iraq was adding $2 a barrel. Even British National Oil Corporation has warned customers that it might be putting up prices back-dated to yesterday.

BNOC's position presents the British Government with a dilemma. As a member of the International Energy Agency it is keen to see pricing stability — a message that will be emphasised at tomorrow's IEA meeting in Paris. But as an oil producing country it seems itself with no alternatives to following market trends. Mr. David Howell, Energy Secretary, accepts that oil consumers are "on a knife edge." They could see some sort of pricing order being restored this year. "But if we miss the chance the outlook is dismal," he adds.

For the present, the bulk of non-communist world oil supplies remains firmly in the hands of OPEC; this year its 13 members should produce an average of between 27m and 28m barrels a day as against a free world demand of some 50m-51m b/d. The exact level of OPEC production is difficult to forecast with accuracy.

Recently there have been indications that Saudi Arabia would maintain its present output of 9.5m b/d, which is 1m b/d above its official ceiling, if the OPEC members cannot agree on an orderly pricing mechanism next month.

Most current energy forecasts have assumed that Saudi Arabia would revert to a production level of 8.5m b/d on July 1. But even on this basis, and assuming that some other OPEC members (i.e. Iran, Algeria, Kuwait, Libya and Venezuela) continued with their reduced level of output, it is generally felt that supplies will be reasonably plentiful for the remainder of the year.

Reduced oil demand this year—perhaps down by between 3.5 and 5 per cent on 1979 levels—and high stock levels carried over from a relatively mild winter in the northern hemisphere have combined to provide some slack in the oil market. According to studies conducted by one of the major oil companies, the amount of useable commercial stocks available in the U.S., Western Europe and Japan at the end of the first quarter was about 75 per cent above the historical average. *Merrill Lynch Pierce Fenner and Smith*, the U.S. stockbrokers, report in their latest petroleum review that total free world stocks are at their highest level for over four years: around 85 days' supply as against an average of 73 days last year and 69 days in 1978.

And yet, major oil companies remain nervous. Not only are they aware that the supply picture could change overnight, they are also concerned that their influence in the world oil supply market is being eroded. Producing countries have increasingly been seeking new customers, arranging more government-to-government deals, and switching a higher proportion of their output to the spot market. The oil majors—the traditional link between exporting countries and consumer—have been forced to scramble for supplies in a market which has been contracting any way.

For the past decade the influence of these multinational oil companies within OPEC regions has been gradually, but relentlessly, whittled away. Full-scale or partial nationalisation of their interests in most of the important Middle East, South American and African oil exporting countries has stripped companies of their powers to set crude prices and production levels, to determine productive capacity and to decide when and where exploration activities should be undertaken.

The companies may have regretted the loss of these commercial privileges, but in the climate of greater awareness about the importance and finite nature of oil reserves, they could not really complain. Even the U.S., Canada and the UK do not provide the industry with such a free rein.

Not that the majors could object too loudly. They still need access to OPEC's oil to maintain supplies to their refinery, petrochemical and marketing operations. In 1973, at the time of the first Middle East oil crisis, the seven major oil companies lifted around 70 per cent of OPEC's output.

Free world stocks of oil are at their highest for over four years

By 1978, as a result of the producing countries' campaign to reduce their reliance on these companies, the seven—Exxon, Standard Oil of California, Gulf, Mobil, Texaco, Royal Dutch/Shell, and British Petroleum—had seen their share reduced to 55 per cent.

According to Mr. John Lichtblau, executive director of the Petroleum Industry Research Foundation in New York, the so-called "seven sisters" were handling no more than 40 to 45 per cent of OPEC's production in the fourth quarter of last year. Last month, he said, the share had dwindled to no more than one-third of OPEC output.

Of the majors BP had been among the worst hit by these changes. In the mid-1970s it obtained around 2.7m barrels a day—1m b/d more than its own refinery needs—from just three OPEC members: Iran, Nigeria and Kuwait. Last year BP lifted barely 1.1m b/d from these sources; this year the amount will be much less.

The big oil companies have been quick to emphasise the worrying implications of the trend. Mr. Robert Hart, a group managing director of Royal Dutch/Shell, told financial analysts recently that OPEC's new sales pattern had led to a less efficient oil supply and distribution system.

The Paris-based International Energy Agency has been considering the implications of changing supply patterns. In a recent presentation there, one of the "seven sisters" referred to the growing incidence of direct government-sales in the international oil trade—and the consequent loss of oil company influence.

In 1973 the world's 10 largest oil traders handled 25.5m b/d out of the 30.3m b/d that was being *shipped from country* to country in the non-communist world. In those days government agencies and *smaller oil* companies between them handled only 4.8m b/d. By the end of last year the 10 companies found themselves with only 14.4m b/d at their disposal. Other companies increased their share marginally, to 3.1m b/d. However, state oil corporations and government agencies had increased their sales to 12.8m b/d

The supply picture is still changing. As Mr. Lichtblau points out: "The general trend towards by-passing the majors by increasing direct sales by the government oil agency is clearly evident in Saudi Arabia." Crude oil export commitments of Petromin, the Saudi state oil corporation, have increased from 500,000-700,000 b/d in 1978 to around 1.5m-1.8m b/d now. Petromin's increased requirements are coming out of both incremental production and the share of Saudi oil held by the U.S. compaines in the Arabian American Oil Company (Aramco)—Exxon, Standard Oil of California, Texaco and Mobil. Aramco shareholders have an uneasy feeling that as time passes their share of Saudi output will decrease even further.

All this is putting pressure on companies to explore for new reserves outside OPEC territories. They are drilling at a record pace. According to Hughes Tool Company and Merrill Lynch, the number of rotary drilling rigs in non-communist countries has risen to around 3,650, over 1,000 more than five years ago. Companies drilling for oil offshore — and they tend to be the bigger, cash-rich concerns — are finding that there are very few spare rigs available to increase the pace of exploration.

The multi-national oil groups were once regarded as elephant hunters, *interested only in finding* and exploiting the world's biggest fields. But their changed circumstances and the encouragement of higher prices have led them to consider much smaller reservoirs. Hence we see BP and other majors developing production systems that can exploit offshore fields with only a few million barrels of recoverable reserves.

Even so, the oil companies have an uphill struggle to find enough oil to maintain production at its current level in the free world. Throughout the 1970s the industry found less oil than it was using; companies drew on vast reserves—much of them in the Middle East—discovered between 1945 and 1970.

Exxon, in its latest World Energy Outlook report, shows that this state of *affairs* is likely to continue. Oil Companies are not expected to find more than 15bn *barrels of new* oil reserves a year over the next two decades. However, production in the non-*communist* world could rise to about 21bn barrels a year (57m barrels a day) and be *sustained* at that level until at least the turn of the century. The company's *analysts* feel that it may be possible to continue producing at that level until 2010 or even beyond.

From these projections it is clear that oil will continue to play *a major* role in world energy supplies well into the next century. By 2000, according to Exxon, oil could be providing 37 per cent of fuel needs.

From the industry's point of view it is important that this message is widely recognised. Companies have become concerned about the way that the long-term oil picture has become clouded by the more immediate supply problems and uncertainties. Talk of oil "running out in 20 years" — now becoming a fashionable phrase —can be damaging if it dissuades bright engineers and geologists from taking up a career in oil. All the evidence suggests that oil companies will need to expand their exploration and production teams to search for and exploit the more remote, more difficult-to-extract, smaller pockets of oil.

Taking even the most conservative industry estimates about the total amount of conventional oil which still remains to be recovered — say 1,500bn barrels — it is apparent that there will be sufficient oil to meet the current level of worldwide demand for the next 63 years.

A fashionable phrase —*but it can dissuade* talented engineers

Decreasing production levels in the early decades of the next century would extend the period during which oil could make a significant contribution to energy supplies. The development of synthetic fuels—oil from tar sands, shale and coal—should stretch the oil age even further. Exxon, for instance, reckons that by the year 2000 non-communist countries could be producing the equivalent of between 7m and 9.5m barrels a day of synthetic fuels, although some of this energy would come in the *form* of gas.

So the long-term prospects for oil supplies are far from bleak. *What is unclear—and from the* world's current economic viewpoint, is more relevant—is how *individual members of OPEC* will exercise their supply and pricing powers in the coming months *and years* and how *the* major oil companes can cope with their still-changing supply conditions.

CRUDE OIL SUPPLY OUTLOOK*
(Non-Communist World)

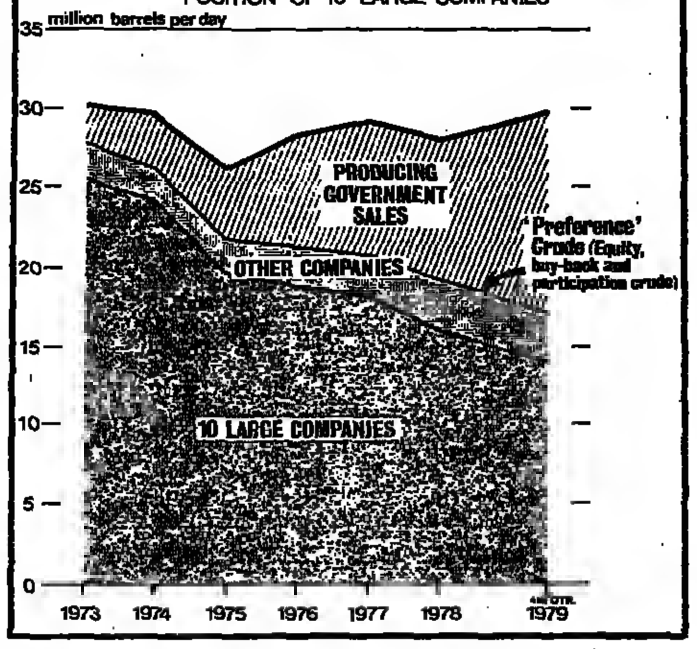
Million barrels/day

	1976	1977	1978	1979	1980 (1st qtr)	1980 (12 months)
SUPPLY:						
OPEC	31.1	31.8	30.2	31.2	30.7	29.7
Non-OPEC	16.4	17.6	18.8	19.9	20.6	21.1
Communist exports & refinery gains	1.4	1.5	1.5	1.5	1.5	1.5
TOTAL SUPPLY:	48.9	50.9	50.5	52.6	52.8	52.3
TOTAL DEMAND:	48.6	50.0	51.4	52.1	54.7	51.0
STOCK GAIN (LOSS)	0.3	0.9	(0.9)	(0.5)	(1.9)	(1.3)
STOCK: DAYS' SUPPLY	79	77	69	73	78	80

* Including natural gas liquids

Source: Merrill Lynch Pierce Fenner & Smith's Monthly Petroleum Review

FREE WORLD INTERNATIONAL CRUDE OIL AVAILABILITY
POSITION OF 10 LARGE COMPANIES



MEN AND MATTERS

Bobbie puts his toe in the water

Robbie Lawrence, chairman of the National Freight Corporation, is losing no time in getting to know his probable new masters now that it is clear the NFC is to be floated off as a public company.

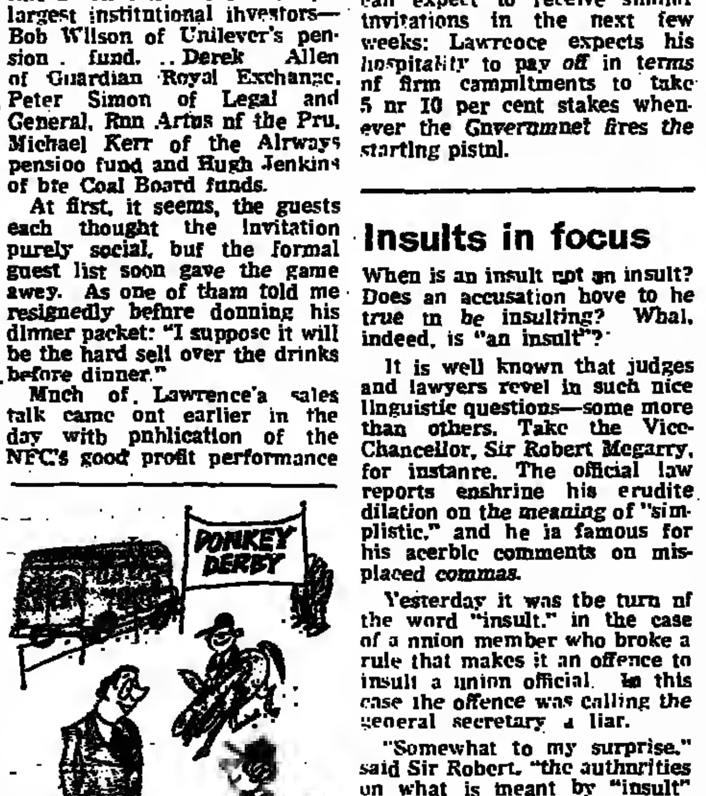
To last night's CBI dinner he invited seven guests who read like a roll call of the country's largest institutional investors—Bob Wilson of Unilever's pension fund, Derek Allen of Guardian Royal Exchange, Peter Simon of Legal and General, Ron Artus of the Pru, Michael Kerr of the Airways pension fund and Hugh Jenkins of the Coal Board funds.

At first, it seems, the guests each thought the invitation purely social, but the formal guest list soon gave the game away. As one of them told me resignedly before donning his dinner packet: "I suppose it will be the hard sell over the drinks before dinner."

Much of Lawrence's sales talk came out earlier in the day with publication of the NFC's good profit performance in the face of last year's lorry drivers' strike. But there were evidently one or two things he wanted to put across in person.

Most important, he wished them to know that there is to be no "carve up"—the fund managers cannot expect to pick and choose the plums among the subsidiary companies, rejecting the problem areas and low profit earners.

Other fund managers, I hear, can expect to receive similar invitations in the next few weeks: Lawrence expects his *hospitality* to pay *off* in *terms* of firm commitments to take 5 or 10 per cent stakes whenever the *Government fires the* starting pistol.



"We want you to stand by just in case"

Insults in focus

When is an insult not an insult? Does an accusation have to be true to be insulting? What, indeed, is "an insult"?

It is well known that judges and lawyers revel in such nice linguistic questions—some more than others. Take the Vice-Chancellor, *Sir Robert Megarry*, for instance. The official law reports enshrine his erudite dilation on the *meaning* of "simplistic," and he is famous for his acerbic comments on misplaced *commas*.

Yesterday it was the turn of the word "insult," in the case of a union member who broke a rule that makes it an offence to insult a union official. In this case the offence was calling *the* general secretary a liar.

"Somewhat to my surprise," said Sir Robert, "the authorities on what is meant by "insult" are somewhat exiguous." He quoted *two Law Lords*: "Insulting means insulting, and nothing else." (Lord Reid). "Insulting is an ordinary, uncomplicated English word." (Lord Kilbrandon).

Warming to his theme, Sir Robert found more assistance in a 1966 Scottish decision which decided that to call a man a liar was abusive but not slanderous.

But what, he asked, did the word mean in the context of a trade union? "It seems to me that the general requirment is that the affairs of a union should be conducted in a decorous and proper manner, such that, even if an accusation is true, if the language in which it is couched is such as to cause unnecessary offence in the way of insult and abuse, then it is, indeed, insulting." Now we know.

A marginal singe

The spectacle of forest fires raging throughout the country is almost incredible to us lounge lizards, even when we can see them on our own *television* screens. After all, summer has only just begun, hasn't it? Yes, says John Trower, a director of the forest management company of Fountain Forestry, and the *fires are* "right on time."

Good weather is always bad news for foresters, it seems, and May is the month when those ubiquitous conifers are at their most vulnerable. Buds have only just burst, and full needle production has not really begun to draw up the new season's sap: the trees are full of resin. "Add last winter's bracken, now thoroughly dry and tinderish in the *undergrowth*, and you have perfect fire conditions," observes Trower blandly. But he is "*not unduly worried*" about fire as far as his own estates are concerned—which seemed odd to me, since the country has already lost 4,000 acres of plantations, compared with the total of 6,000 acres which went up in smoke during the drought of 1976.

However, fire—mercifully for forestry managers—tends to affect new plantations worst. Once trees are 25 years old, says Trower, his company does not even bother to insure them.

Arthur Sutton, *senior forest* manager at the Forestry Commission, assures me that Trower has *commonsense on his side*.

Once the trees reach a certain height, he points out, their nearly all sunlight is cut out to the ground beneath. The undergrowth then dies and the forest floor becomes too bare to offer much of a firehold. But if you get the flames into the crown, get the flames into the crowns," says Sutton, "it is pretty well impossible to control."

Rather than keep their insurance premiums up to date, therefore, foresters pay much *more attention to maintaining* their "brashing and thinning" programmes.

Thinning is what sounds like. Brashing, I am told, is the exhausting task of lopping off *have withered and dried* in that darkness which is such a dispiriting feature of conifer forests. Plantations where those branches have drooped and tangled with the undergrowth "are asking for crown fires," according to Sutton and Trower.

All laid on

A colleague in Oslo tells me the police are smarting with embarrassment over the biggest-ever bank job in Norwegian history. Two men made off with 4.5m krone (around £500,00) from a bank in Drammen, a town about 35 miles outside the capital. It is true that the robbery is unlikely to be quite that profitable, since the haul *was in large, numbered* notes. What is galling, however, is that the two robbers made their get*away in a police squad car* conveniently parked outside the bank, and took off through the town, dispersing the traffic with a wail of sirens.

Frayed edges

Overheard in hotel bar: "I used to go straight home every evening and unwind—these days I come here and unravel."

Observer

FINANCIAL TIMES SURVEY
Wednesday May 21 1980

INVESTING IN AUSTRALIA

The scope for developing Australia's energy resources and industries based on them has been attracting growing numbers of foreign investors over the past year. This survey, written principally by Richard Lambert, Financial Editor, examines the opportunities which have emerged for direct and portfolio investment, and considers the impact that foreign capital inflows might have on the Australian economy.

Upsurge in the energy sector

INTERNATIONAL investors have rediscovered Australia. Their current mood is not quite as abullient as it was at the beginning of the year, when the inflow of foreign capital reached almost panic proportions. But foreign banks are still lining up for new business.

Multinational companies continue to increase their rate of investment in the continent. And although the beat has come off the stock market, a select group of Australian shares are still producing attractive returns fpr fund managers around the world.

The explanation for this enthusiasm lies in Australia's formidable scope for developing energy-related exports, such as coal, gas, aluminium, and uranium. This potential has been unlocked both by the accelerating rise in oil prices during 1979, and by growing international concern about the future stability of oil supplies.

Just about every move that OPEC has mada during the past year or so seems to bave mado Australia's energy supplies more competitive in terms of price—and more desirablo in terms of the security oeffred by a supplier which is politically stable and a long way from the world'a trouble spots.

In 1977, Australia exported 22m tons of oil equivalent. Officials in the Department of Trade and Resources bave forecast that this figure will have climbed to 181m tons by 1986, representing an increase of over 25 per cent a year. For 1991, the figure is put at 290m tons of oil equivalent, implying a 10 per cent annual growth rate for tha second half of this decade.

Over this period, Australia is expected to be one of only thre net exporters of energy in the Organisation for Economic Co-operation and Development.

Obvously such forecasts are snbject to a wide margin of error. But of all exports, energy ought tobe the laast vulnerable to the threat of a general downturn in world trade. Thus forecasts of rapidly-rising coal sales to Japan are not based primarily on assumptions about industrial growth rates, but rather on the fact that coal is now seen by Japanese consumers as a vital sotirce of alternative energy.

A sharp world recession could delay for a few years some of the projects, which are now being planned—but would be much less less likely to kill them off altogether.

An anlysis by the Department of Industry and Commerce last October recorded investmeot proposals with a total valua of A$16.3bn for projects which were either fully committed or at the final stage of feasability studies. Of this, A$9.1bn (£4.5bn) was allocated for mining projects, and a big slice of the rest was earmark for new aluminium smelting capacity—which is also expanding at a great rate thanks to the availability of relatively cheap electricity.

Most of tho energy developments are being built and financed on the strength of pre-aranged marketing agreements with the ultimate consumers. Provided that the customer can be tide in to a satisfactory contract and that the technology for the project is reasonably well established, securing the necessary finance is not proving to be a major problem.

Syndicated

For example, Woodside Petroleum's relatively small balance sheet is not preventing it from raising a syndicated bank loan of about A$Ibn on the strength of its interest in tbe North West Shelf gas project.

On past form, betweeo 70 and 85 per cent of the bndgeted spending on projects will go on Australian-produced materials, goods, and services — notably steel, and manpower. The developments will also require very beavy investment lo pnblic utilities and infrastructure. For example, electricity generating capacity is currently expected to rise from 21,000 megawatts to 41,000 megawatts by 1990, at a cost of about A$10bn in 1980 dollars.

All this lies somewbere in the future. By ioternational standards, the present economic performance is rather bealthy too. Inflation is likely to run out at a little over 10 per cent in tho current financial year, and Australian industry has become significantly more cnmpetitive in international markets during the past two or three years. This bas contributed tn a aubstantial rise in exports and a marked improvemant in the current account of the current account of the balanca of paymeots this year.

With energy exports set to increase sharply and foreign capital continuing tn flow in to finance further development, the medium to long-term outlook for the Australian dollar seems to be aet fair.

In the domestic economy, industrial production has been bolding up well, and the gross domestic product is set to rise by close to 3 per cent ln the year to June. That rate may well be unsustainable in 1980-81, but for the moment at least economic fnrecasters are talking about a temporary cbeck to growth rather than any actual downturn in the economy. Annal rises of about 2 to 3 per cent in the non-farm economy are thought to be a reasonable hope for the next few years.

Since its election in 1975, the Governmeot has been consistent in its efforfs to hold down public speoding. Commonwealth Government budget outlays in its first four full years of office are likely to have risen by an average of just under 1 per cent in real terms.

The nriginal Budget projections for the current financial year implied a drop in the domestic deficit from 3.4 to under 2 per cent of gross domestic productt. And since then, bigher oil prices have increased receipts from the Government's crude oil levy b yabout A$340m, all of which is being applied to a further reduction in this year's deficit.

This combination nf natural wealth and sound economlc managemeot may appoar irresistible to international investors. However, Australia is not exactly risk-free bome for funds. Ten years ago, after all, it also appeared to be set on an extended period of mineral-based expansion. But fiscal and monetary policy ran awry under a succession of weak Governments, and many opportunities were missed.

Pressures

Tho way things look now, the Government is not going to bave to resort to a vote-winning Budget in order to win the coming election. But it still bas to face growing pressures oo the wages front, as well as major structural changes in the economy which could follow from resource development on the scale that is curreotly envisaged.

Earnings/growth looks set to exceed the rate of inflation in 1980-81: a rise of roughly 12 per cent is widely expected at present.

And a wage settlement system which produces surprisingly small differentials between diverse skills and occupations could well lead to bottlenecks at a time when nne sector of the economy is trying to expand very rapidly.

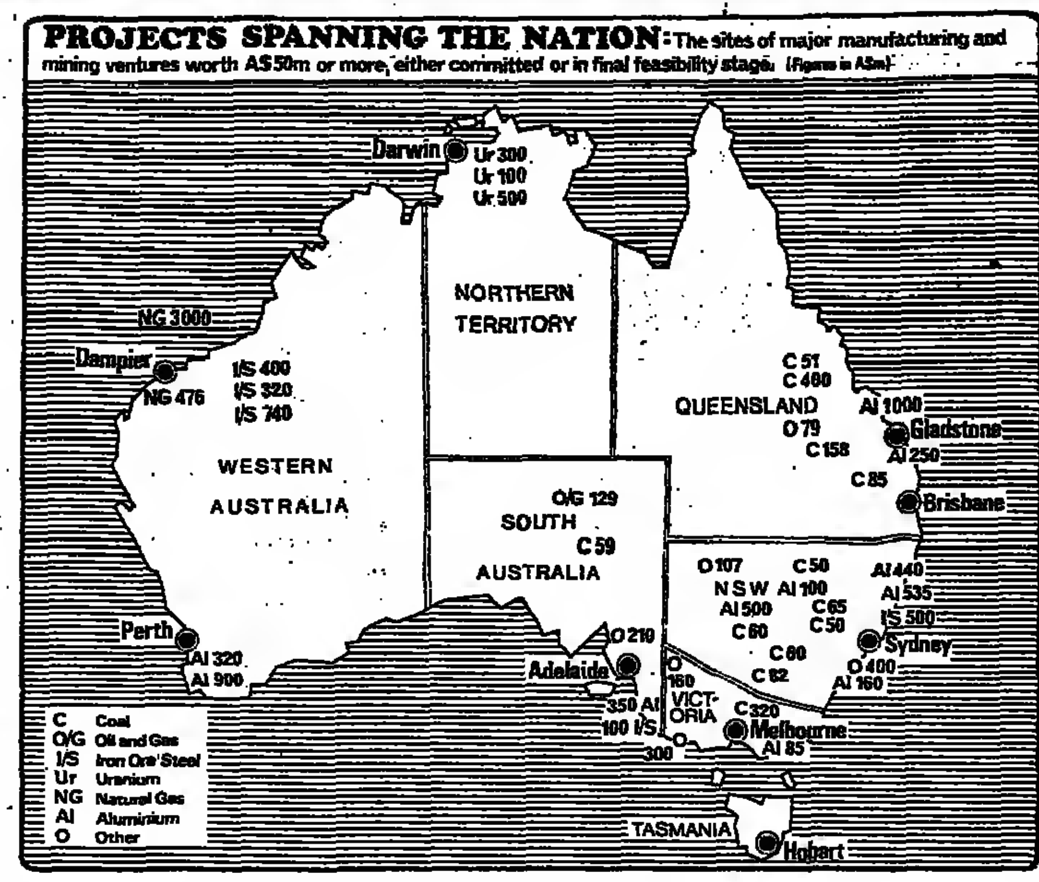
Indeed, it is at least npen to question wbother Australia is physically capable of completing in a reasonably orderly way all the projects which are now being discussed.

Expansion in the energy sector could also impose heavy strains in other sectors of what remains a rather protected economic system. In a number of important areas if finance and industry, the autborities are accustomed to intervening on a considerable scale to check free market forces.

This could become increasingly hazardous as the scale of international capital flows builds up, an dsome key decisions are going to be needed in the coming years about such matters as tariff pollcy, currency management, and the structure of the banking system.

Other recent examples of countries which have been able to exploit substantial mineral wealth are not too encouraging. For the foreign investors, Australia presents nppportunities fnr big rewards — and they are never risk-free.

PROJECTS SPANNING THE NATION: The sites of major manufacturing and mining ventures worth A$50m or more, either committed or in final feasibility stage. (Figures in A$m)



Guide to sectors and topics

CAPITAL INVESTMENT in coal, aluminum, oil and gas, and uranium is set to lncrease substantially over the next few years. Articles on Page 2 describe some of these developments. On Page 3, there is a discussion of where the money might come from: Australia'a own financing capacity is limited, but there seems to be a surplus of available funds overseas.

However, international investors cannot come in through an open door. The workings of the Foreign Investment Review Board are sketched out on Page 4, together with brief studies of how its rules have affected two particular investors—one foreign and the other Australian.

The outlook for the dollar must play a crucial part in any investment decision, and currency matters are covered on Page 5. These go band in band with the question of tariff reform, which is considered on Page 6, where a separate article discusses the recent experiences of some majnr UK-owned manufacturers.

On Page 7, there is a report on the major inquiry which is belng conducted into the Australian financial system. And Page 8 takes in an analysis of the coming election and of the industrial relations scene.

Stock exchange data and regulations are on Page 9, and an article on Page 10 describes the recent performance of the market, and tbe way it operates. Indlreet investment—via unit or investment trusts—and property are covered on Page 11.

Separate articles on some of the most exciting natural resonrce projects are on Pages 8, 10 and 12.

As an indication of recent exchange rates, A$1 eqnals £0.49, US$1.1309, DM 2.0272 and Y257.6

INVESTING IN AUSTRALIA II

The scope for energy-based exports in the 1980s

COAL IS far and away the most important reserve of primary energy in Australia. A recent analysis by Esso Australia indicated that the continent's remaining discovered coal reserves are equivalent to about 170bn barrels of oil, of which only 3bn barrels will be consumed within Australia by 1990.

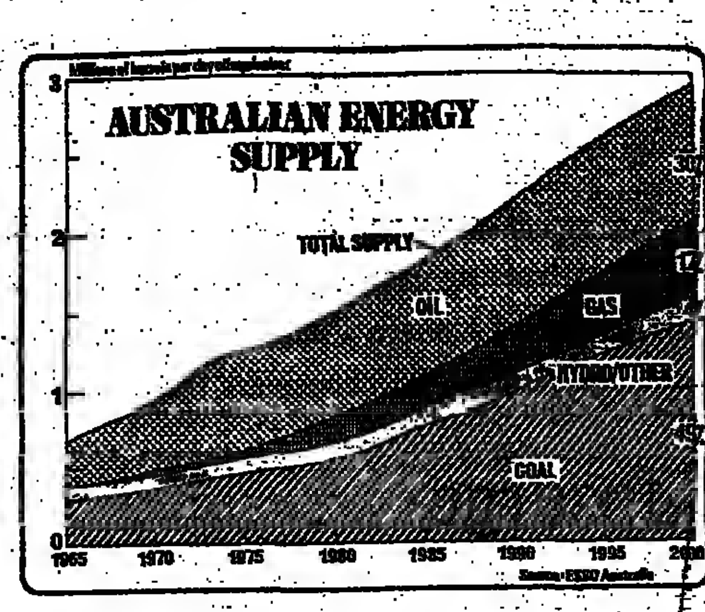
Estimated reserves of uranium amount to 26bn barrels of oil equivalent, none of which will be required for local consumption in the next decade. The estimates reserves could be increased by up to 50 times if fast-breeder reactors are developed.

An especially bright aspect of the energy picture is the presence of big reserves of natural gas, which are put at 4.2bn barrels of oil equivalent. Only about 1bn of this will be consumed within Australia (excluding the liquefied natural gas which will be exported from the North West Shelf project).

Much the scarcest energy resource is oil. Known recoverable reserves now stand at 2.1bn barrels—and Australia is expected to require 3.4bn barrels to meet its consumption needs between now and 1990.

These figures help to explain the sharp increase which is now under way in oil exploration both on- and off-shore. They also illustrate the formidable scope for developing energy exports in the coming lecade.

Oil shale developments, probably entred around the Rundle deposit, could become a reality in the next few years. 'urther down the road there is the possibility of major developments in both coal liquefaction and uranium nrichment.



Coal

INTERNATIONAL coal production is likely to expand by two and a half to three times, and provide at least half the increase in the world's energy needs over the next 20 years.

International trade in steaming coal will have to grow by up to 15 times to satisfy the likely demand, and Japan in particular is going to need to increase its steaming coal imports by up to 50 times by the end of the century.

These forecasts, released within the last fortnight in the report of the World Coal Study, help to explain the new exuberance in Australia's coal mining industry.

The estimates suggest that the bulk of this enormous export growth can come from just four countries—the U.S., Australia, South Africa and Canada. Of these, the first two will be by far the most important.

Australia exported 38m tonnes of coal in 1977. The total is expected to rise to 160m tonnes by 2000, when the estimated maximum potential is 200m tonnes. Exports of steaming coal are forecast to rise by an averoge 14 per cent a year in volume terms over the rest of the century.

The rapid growth in the use of steaming coal for power generation is directly related to the problems of the international oil market.

Even before the oil price doubled in 1979, steaming coal was competitive in many national and regional markets and its attractions are now compelling—especially for generating electricity. As well as the price advantage, consumers have found good reason to diversify their source of energy supply, and Australia's political stability is seen as a major bonus.

The World Coal Study found that Australia was the preferred source of supply for 25 per cent of the European market—a larger share than for any other exporter.

Targets

Japanese projections indicate roughly equal shares for Australia and the U.S., with each getting about a third of the market.

Until quite recently, there was no possibility that the Australian coal mining industry could develop at the rate necessary to meet these ambitious targets. Prices were low, and some of the coal companies are still reporting very poor profit figures.

But the market place has tightened considerably in the past year or so, and some big producers say that prices are now close to the point where major new developments will become viable.

Whether it will be physically possible to expand at the necessary rate is another matter.

The table below shows that the development of the mine itself forms only one part of the production chain. Major improvements in Australia's infrastructure will be needed if this opportunity is to be grasped, and decisions will have to be taken quickly since these projects have long lead times.

More than 95 per cent of current coal output is mined in New South Wales and Queensland. The market leader is the Utah group of companies, which has already invested some A$800m in mine development and port facilities in Queensland. Other big companies include BHP, CSR and Conzinc Rio-tinto Australia.

The big names in New South Wales include Clutha Development—which is now wholly owned by BP Australia—Coal and Allied Industries, and Peko-Wallsend.

Uranium

AFTER one false start, the uranium mining industry in Australia is now firmly established on a programme of expansion. Projects costing roughly A$1.5bn are expected to come into production by the latter part of the decade.

Production first started at the Mary Kathleen deposit over 20 years ago — and ended in 1963, at a time when many of the smaller companies launched in the initial boom were running out of capital. Now, Mary Kathleen has been recommissioned, and three other projects — Ranger, Nabarlek, and Yeelirrie — have received development approval. Four other potential mines are currently in the pipeline, working their way towards approval.

Australia's proven reserves amount to around 290,000 tonnes, which represents some 18 per cent of the Western world's reasonably assured low cost deposits. This excludes the giant copper/uranium deposit at Roxby Downs, which has not yet been quantified.

Production at Mary Kathleen, which returned to profit in the second half of 1978, ran at 832 tonnes in 1979, and the three new approved projects could be turning out around 6,500 tonnes between them by the mid-1980s all for the export market.

The short term prospect for profits is not exciting, however. The loss of momentum in the nuclear power industry is now being reflected in uranium prices, which have recently fallen by roughly a fifth on the spot market. Mary Kathleen, which is 51 per cent owned by CRA, expects that prices will remain soft until at least the mid-1980s.

Similarly, Western Mining is taking its time with its A$400m Yeelirrie development. The earliest date for production is late 1985.

With an eye to the longer term, Western Mining, along with BHP, CSR, and Peko-Wallsend are currently engaged on a "pre-feasibility" study of the possibility of establishing a commercial uranium enrichment industry in the country.

The Government is also talking to the Urenco/Centec organisation and the authorities in France, Japan and the U.S. about securing access to enrichment technology.

Such a processing industry would enable Australia to double the value of its uranium exports. But there is bound to be a controversial and time consuming debate before it can get off the ground.

Oil and gas

BETWEEN 1972 and 1976, the amount spent on petroleum exploration in Australia was cut in half in real terms. But in the last few years there has been a big upswing in activity.

The total number of petroleum exploration permits in issue is expected to top the 200 mark this year, compared with 112 in 1975, and the level of seismic work onshore has doubled every year since 1977. There are now 14 seismic crews operating, against just three, in 1977.

All in all, private exploration expenditure is forecast to reach around A$192m this year, while spending on development will be about A$285m — almost double the figure in 1979.

This upturn has been fuelled by the rise in world oil prices, and by the impact of Government policies aimed at sustaining domestic production.

Australia curently produces around two-thirds of its oil needs. According to projections from Esso, this proportion could remain steady for the next seven or eight years, but then fall off sharply unless new discoveries are made or substitute liquid fuels are developed. On this basis, Australia could be importing 80 per cent of its oil by the year 2000.

To encourage new development, the Government's crude oil pricing policy permits any oil discovered after August, 1976, to be priced at a determined import parity price, free of any excise levy.

A set of tax concessions has also been introduced which, among other things, makes exploration and development allowable as a deduction from income from any source, and gives shareholders a tax rebate of 30 cents for each dollar subscribed to finance exploration and development in Australia.

The Bureau of Mineral Resources has estimated that there is an 80 per cent chance of finding at least another 850m barrels of crude oil—and some other projections are much more optimistic. Esso reckons there is an even chance that new discoveries will double present reserves.

The best prospects for further major discoveries are thought to be in water deeper than 200 metres off Western Australia.

Overall, the country will remain a difficult and high risk place in which to look for oil —but that is not deterring a whole raft of companies, ranging from the biggest multinational to the most speculative tiddler.

Aluminium

HIGHER oil prices are bringing major changes in the world's aluminium industry — and Australia is the prime gainer.

It produces roughly a third of the world's bauxite and is also a leader in alumina output. But until now its aluminium smelting capacity has been small by world standards. Less than a tenth of its annual alumina production has been processed into primary metal in Australia.

Now all that is changing, and energy costs are the main explanation. In Japan, the incremental cost of base load electricity supplied to heavy industry has been put at roughly 8 Australian cents per *kiloWatt hour. The indicated* figure for Europe is 4 cents, for the U.S. 3 cents — and for Australia just 1.5 cents.

Aluminium smelting is an energy intensive process — Australians like to call the metal "congealed electricity." The result is that over 30 per cent of Japanese smelting capacity is now lying idle. By contrast, Australia's smelting capacity is scheduled to rise from 280,000 tonnes to at least 1.2m tonnes by the mid-1980s.

Most projections actually go to around 1.6m tonnes, which would represent more than a tenth of the Western world's capacity, and would make this business larger than Australia's iron and steel industry in terms of dollar output.

Domestic demand for the metal is expected to be around 260,000 tonnes by 1985, so virtually all the new capacity will be available for export. At current prices, the annual value of foreign earnings from overseas sales of primaiy aluminium could be oughly A$2bn at that stage.

Total capital investment in the new smelting capacity was estimated in December at A$3.3bn, of which between [illegible] and 85 per cent is likely to be spent in Australia. In addition, it is expected that more than A$1.3bn will be spent on new facilities for bauxite mining and alumina refining, while the likely capital costs directly associated with supplying power to the smelters exceeds A$1bn.

Government officials are confident that sufficient power will be available to run the new capacity which will be coming into production in the next five years. But further supplies will certainly be necessary if—as some suggest—smelting capacity is to rise to 2m tonnes by 1990.

The present installed capacity of electricity in Australia is 22,000 MW. The present plan is for this to be increased to 41,000 MW by 1990, at a cost of A$10bn in 1980 dollars.

COSTS OF A TYPICAL COAL PROJECT—AUSTRALIA TO FAR EAST

	Coal-Mine Queensland Australia	Unit Train Transport	Queensland East Coast Port Australia	Coal Carrier	Electric Power Plants-Far East	
	Mines	Trains	Port	Ships	Power plants	Total
Capacity	5 mtce/yr 6 mt/yr	Same	Same	Same	Same	System
Facilities Unit Size	5 mtce/yr				2000 MW	
Required*	1 mine	1.9 trains	0.3 ports	4.3 ships	1,000 MW × 2 2 pwr. plant units	
Lead Times†	3 years	3 years	4 years	1 year	5 years	
Costs total capital‡	$290m	$70m	$70m	$150m	$1950m $885m for port cons.	$2550m

* MTCE=million metric tons of coal equivalent. † Lead times for actual project execution after all permits granted. ‡ January 1978 dollars, include interest during construction and including necessary infrastructure.

Source: Report of the World Coal Study.

Decisions for a 'coal chain'

THIS ILLUSTRATION of a typical "coal chain" reproduced from the recent World Coal Study underlines two crucial elements in the development of coal mines.

The first is that a very substantial part of the total capital cost lies in the user facilities, principally the electric power plants. When coal is being transported over long distances, as is inevitably the case with Australia, enormous capital investments are also required in shipping, trains and handling facilities.

The other feature of the coal chain is the long lead times that occur at every stage of the journey from the mine to the power plant. As the World Coal Study concluded, the large investments for mines and transport will not be made unless users—mainly utilities and industrial organisations — make early decisions to build coal using facilities and to secure their coal supplies.

Such decisions will be necessary to ensure the financing of all the heavy development expenditure is needed right the way back to the mine face.

Delays in ordering new coal fired power plants may hold up the whole coal supply system, because development down the line depends upon confidence that the coal can be sold at a price that justifies the investment, and in some cases upon the development of long-term contracts.

Sources of finance: Australia's share

ESTIMATES of Australia's likely capital needs over the next decade should be treated with extreme caution.

When it comes to optimistic projections, politicians and stockbrokers usually lead the field—a short bead in front of civil servants and bankers. Industrialists themselves are often several lengths behind, worrying about such mundane realities as inflation and currency movements.

They are also more aware than most of the bottlenecks that could be ereated by shortages of skilled lsbour and by the enormous develoopments in the Australian infrastructure which will be needed to support the natural resource projects.

Leading businessmen like Sir Arvi Parbo, chairman of Western Mining, have repeatedly suggested that Australians could be counting their chickens too long before they are hatched.

Since there is so little agreement about the likely demand for development capital, it is better to start at the other end of the equation — with the potential supply of funds from the domestic economy. What is the most that Australians themselves could reasonably be expected to provide to finance the extra capital requirements?

Comparable

As you would expect in a country with only 14m inhabitants, the numbers are not all that large. Total income (GDP) last year amounted to just over $101bn (£49bn) which makes the economy broadly comparable with that of the Netherlands in the international league table.

In 1978-79, private capital spending excluding housing amounted to A$10.5bn — a figure which helps to put in perspective the capital cost of such developments as the North West Shelf project, which is currently put at more than A$4.5bn in 1980 dollars.

Expressed as a proportion of the domestic economy, this project along is more than 100 times larger for Australia than the Alaska pipeline was for the U.S.

As a share of GDP, total capital spending has been gently declining in recent years, and within that overall figure, the proportion devoted to private non-husing expenditure has itself beeon easing back.

It is clear that any substantial additin to be amount of money devoted to resource development will require a significant change in Australia's financial priorities.

At present, savings in the Australian economy are not exceptionally high by international standards. The national savings ratio as calculated by the OECD la under 20 per cent of GNP compared, for instance, with over 30 per cent in the case of Japan.

And an increasing proportion of bousbeld savings is being channelled into short term depsits in institutions like the building societies, savings banks, finance companies and credit unions.

The total assets of the building societies rose at an annual compound rate of over 30 per cent between 1967 and 1978. The cmparable figure for the trading banks was 13.6 oer cent, while the growtb rates of the pension funds and life insurance ffices were even lower. And private individuals have been net sellers of equities throughout most of tha past decade.

A growing debate about the need to cbange tbese savings babits is currently being focussed around the Campbell committee of inquiry into the Australian financial system. But bouses have proved to be very good investments in recent yesars, and it seems extremely unlikely that babits can be changed fast enough to make any big contribution to tbe needs of the natural resources sector in the next few years.

Similarly, not all that mucb extra can be expected from the banks. If you were to add all the assets of tbe trading banks togetber you wonld still not end np with a banking giant by international standards, and there are obvious limits to the amounts wbich can be lent prudently on a term basis to any one sector.

Anecdotal evidence suggests that the trading banks are extremely reluctant to commit themselves in total to more than aboot $A100m for any single development project.

In addition, Australian bankers bave been brougbt up in what remains a very protected finaocial community. They have had—at least until recently—the reputation of being a pretty conservative buncb, wishing to land wberever possible against physical security.

Even their critics concede that things are now cbanging, and that some are becoming quite adventuroua on the project financing front. But obviously they do not bave the experience of, say, the big North American banks.

Reluctance

One aonrce of domestic oroject finance which is clearly on the up and up is the long term savings institutions—tbe lifa offices and the pension funds. They seem to be actively shaking off their somewhst natural reluctance to become directly involved in mineral resource ventures.

For instance, the National Mutual is reported to be pntting uo to A$50m lnto resource projects dnring the first year's operation of its new venture aector, wbile the Australian Mutual Provident Society is tslking abont directing aronnd a tenth of its cash flow for equities into a recently establishd resources unit.

If the life offices and pension funds were all to take a similar line, tbere could be another A$200m a year available for resource development from this source.

Tben there is the company sector itself, and tbe stock market. Following a lean period in the 1970s, the mining companies scope for generating investment capital from their own internal resources bas been substantially increased by the profits boom of the last year or so.

But these high profits bave been the direct result of increased commodity prices. As tbe U.S. swings into recession, the outlook necessarily becomes more clouded.

At the same time, the size of individual resource projects these days is such that most companies find it necessary to restrict their financial exposure and rely heavily on outside capital.

Groups like CSR and Western Mining, for instance, are tending to limit their investments in major new projects to a share in the equity coupled with a completion guarantee. This apart, they often do not have any financial liabilities to the development, and it does not appear on their balance sheet.

The atock market, for its psrt, is an erratic and strictly limited source of new capital for companies. In the five years up to last June, mining companies raised in total less thsn A$350m of new money.

The recent bull market brought a flood of new issues, and in the December quarler alone mining companies raised A$170m. But only wben the market was boiling were companies able for the first time ever to make rights issues of over A$100m—and things have got a loi quieter in the last month or two.

For a company like Woodside Petroleum, the stock market bas provided a vital slice of equity. On this bsse, it intends to pile a vastly higher amount of project finance—most of which will come from abroad.

If all these sources of domestic finance are added together, the result in the most favourable circumstances might be sometbing like A$1bn a year in 1980 dollars svailable for resource development.

Many bankers expect that in reality the figure will turo ont to be a lot less than that.

On this bssis, even the most cautious estimate of Australia's overall requirements would indicate that substantial inflows of foreign capital will be reqnired in lbe next few years. How mucb, and wbere it might come from, is the subject of the next article.

Big demand for foreign funds

BASED ON a Department of Industry and Commerce survey and its own more recent assessment, the ANZ Banking Group has estimated that about A$32bn in 1980 dollars (£15.7bn) will be required for mining and petroleum projects over the next ten years.

Allowing for the big sums whicb will also have to be spent on mineral and oil exploration it suggests that around A$3.6bn is a reasonable guess at the average amount wbich will be required eacb year.

This estimate ties in with an internal study by Citibank last year whicb concluded that investment in tbe natural resources sector alone would amount to about A$18bn between 1979 and 1985.

Deduct from thia an average annual A$1bn of potential home-grown finance, and you arrive at the yearly demand for foreign finance for the resources sector.

Obviously these are rough and ready figures, and some cororate treasurers would argue that they are ton higb. What is undeniable, though, is the fact that a sharp upturo in foreign investment in Australian enterprises is just about beginning to sbow through in the official figures — on a scale which is reasonably compatible with the ANZ estimate.

Cash flow

Multinational companies—particularly the oil majors—are playing a big part in this expsnsion. Obvious examples incinde BP, with the Roxby Downs copper/uranium deposit; Esso, with the Rundle oil shale deposit; and Shell, in the North West Shelf project.

Many of these comoanies are already generating a strong cash flow within Australis—Esso, for instance, is financing the largest exploration programme it has ever undertaken on the continent entirely out of local resources. But it will ned to bring in large amounts of foreign money if the Rundle project takes off.

Similarly, BP Australia has ben self-financing in the past bnt will certainly require more eqnity finance from its parent company in the future. This year, it expects to invest more than A$200m in fixed assets and exploration—roughly twice its spending in 1979, and about ten times tbe 1976 total.

At the same time, individual state governments are playing an increasing part in resource development—for instance by helping to finance infrastructure, or new power stations.

In November, 1978, the Loan Council for the first tima gave permission lo state authorities to seek funds overseas for specific projects which would otherwise bave been too big for the domestic market.

So far, projects with a total value of over A$2½bn have been approved uoder this scheme.

In addition, consumers of Australia's raw materials increasingly will be putting np front end finance in an attempt to assure themselves of a stable source of supply.

The main examples bere are the Japanese ntilities. Admittedly, the Foreign Investment Review Board has recently stamped on a bid by the Electric Power Development Compsny of Japan to secure a stake in the Blair Athol steaming coal deposit. But the issue here was the degree of foreign ownership and control, not the use of foreign capital aa such.

Apart from undistributed income and direct equity investmenta by overseas companies, the international hanks will be a major source of finance for resource development.

The very substantial syndicated bank loan which is now being put together in London for Woodside Petroleum's share of the North West Shelf project is said to inclnde banks from North America, the UK, Continental Europe and Japsn.

This highlights another feature of the capital inflows, wbicb is tbat their sources are much more diverse thsn tbe used to be.

An analysis of the FIRB's figures shows that only 26 per cent of tbe expenditure approved in 1978-79 came from tbe U.S., and 25 per cent from the UK. Japan's contribution was 12 per cent, and West Germany chipped in with 2 per cent. Most of Germany's spending was in the mineral sector.

The risks of major resource projects are being spread more widely, and the roles of various interested parties in the veloopment cbain are imperceptibly merging.

In a typical project these days, the Australian exploration company provides the orebody and a slice of eqnity; the multinational stumps np a lot more equity and provides technological expertise; the state provides the power and aome of the infrastructure; the consumers contribute some of tbe finance, and the world'a banks aecount for the rest — often on the security of the future cash flow of the development.

The days when a mining company might take the whole risk on its own balance-sheet are over.

Tying all these vested interests together can produce some very complicated financial packages. But provided the tecbnology is proven and the market for the product assured, the finance is often no more than a technicality.

Australians claim that many of the big international banks are underlent to Australia, and wonld dearly like to increase their exposure. And as the accompanying note shows, that is also the impression in Frankfurt and London.

Europe banks keen

HERR JURGEN REIMNITZ, a member of the board of Commerzbank, West Germany's third largest commercial bank, sums up the frustration felt by German bankers at their inability to make lnroads into the Australian market.

"Triple A, first class, could not be a better borrower, but nnfortunately they don't borrow. They are running their balance of payments so shrewdly that they don't need that much money," be says.

But be is excited at the possibilities that are now ooening up with the development of some of Australia's massive deposits of bydrocarbons and minerals.

There are relatively few German compsnies available to take major shares in sucb projects themselves — Rubrkohle's stske in the development of a coal mine at German Creek in Queensland and interests that the Frankfurt-based non-ferrous metals group Metallgesellschaft is considering through its Urangesellschaft subsidiary are among the exceotions.

So tbe German hanks are most likely to find themselves involved in raising funds for consortia largely comprising U.S., Japanese and Australlan companies.

"These joint ventures will need so mucb money that they will have to have syndicated losns or they will need to come to the market," says Herr
to the market," ssys Herr Reimnitz.

Potential

It is still early days, but the first moves are being made to explain to German banks and industry the scale of business that will open up in the next few years. A mission from Australia bas visited West Germany tbis month to explain some of the potential for resources development and contacts bave been made at Ministerial level.

"Australia is a virgin borrower, it has virtually no foreign debt and anyone would be bappy to lend there because their ceilings on funds are nowhere near utilised," says Herr Reimnitz.

According to a senlor executive from one of West Germany's leading banks, it would be possible for very large snms of money to be placed there.

"German banks will bave to play a major role because there are not so many alternatives in ralsing money — It is elther the dollar or D-Mark."

Herr Reimnitz strikes one warning note to the effect that Australia should not rush headlong into too many projects at once, but be is singularly optimistic about the country's prospects.

Bankers in London are equally enthusiaslic, especially abont projects involving coal, oil and gas.

The price of energy is not seen as a major risk for the lender, and provided the technical and marketing assumptions look realistic, there is a surplus of funds available for such developments.

Typically, lenders are willing to provide roughly balf the present value of the cumulative revenues available to repay the debt. As the competition among banks intensifies, this proportion appears to herising.

There seems to be rather less enthusiasm for uranium projects, however.

The besitation reflects potential political problems as well as the relatively narrow market fnr the oroduct. Other mineral developments, like iron ore, come furtber still down the lenders' too ten—mainly because of uncertainties about commodity prices.

The overall impression in London, though, is thst the banks would be happy to accommodate a significantly higber demand for funds from Australia.

Kevin Done

Controlling the foreign inflow

FOREIGN CAPITAL is wanted in Australia—but not without strings.

The Government's attituda to foreign investment bas become much less rigid in the past few years, hut it remains a sensitive issue, in which politics can play at least as great a part as economics.

The Foreign Investment Review Board (FIRB) was established by the Liberal Country Party coalition lo 1976. Througb most of the 1960s. Australia operated an opeo-door policy in respect of most inward investment, but the scale and aggressive nature of investment hecame politically unacceptable as the dacade wore on.

Prime Minister Gorton and McMahon both introduced a series of restrictive measures, and the pace of economic nationalism accelerated duriog the Labour administration of Mr. Gougb Whitlam. It was a period when multinationals were under attack around the world and from time to time the Australian Government made aggressive statemeots about the need to "buy back the farm."

But Lahour significantly modifiad its stanca just before it lost office in 1975, and the system of controls introduced by the Liberal Government has proved to be relatively accommodating. In a sense, the FIRB has to walk a tightrope; it likes to stress bow belpful it is to foreign investors, but objects strongly to being labelled a rubher stamp.

Scrutiny

The consensus view is that it bas performed a reasonable balancing act. It bas belped to channel foreign investment into Australia in a politically and socially acceptable manner—and it has not turned much away.

The FIRB is rnn hy a cbairman and deputy chairman—meo with wide commercial experience—and it has one executive member, a civil servant from tbe Commonwealth Treasury. Its joh is to advise the Government on individual foreign investment proposals and — wbere necessary — to explain the rules to foreigners. The types of investment subpect to its scrutiny are:

● Proposals falling within the scope of tbe Foreign Takeovers Act, whicb requires foreigners or Australian companies with large foreign interests to notify the Government of any plans to acquire or increase a substantial interest in an Australian company. The Government does not normally become involved if the total assets involved are less than A$2m (£986,000).

● All proposals to establisb a new business or project in certain sensitive areas — finance, insurance, the media, civil aviation, uranium.

● Direct Investments by foreign governments or thel ragencles.

● Proposals to set up a new business where the total investmeot involved is A$5m or more.

● Proposals to buy property valued at A$250,000 or more.

All sucb proposals are judged against a rather hroad range of criteria, including their likely impact on competition and on the commercial and industrial structure of the economy, and the extent to which the project wil make use of local processiog services and management.

As a rule, a liberal approach is taken towards proposals that it is accepted will be Australian controlled after implementation. But a different attitude is taken when it comes to sensitive areas like natural resources and hanking, or to sectors of the economy whare foreign ownersbip is already extensive.

Here, the Government expects to see significant henefits aod/or significant Australian equity participation and cootrol before approval is granted.

Targets

The Government wants to encourage Australian participation in general — and in certain cases it actually lays down targets. With most natural resource projects, for instance, the goal is 50 per cent Australian share owership and a similar proportion of the voting strength on tha board.

Other things being equal, projects may be approved with less than 50 per cent of Australian equity where that has not proved to be forthcoming on reasonable terms. But wben that happens, the FIRB normally wants an undertaking that the Australian share of the equity will be increased to at least 50 per cent within an agreed period.

Uranium is a special case. Here, the Government insists on 75 per cent Australian equity and Australian control — and only wben that is clearly unobtainable will other alternatives be considered.

Two years ago, new incentives were introduced to encourage foreign companies which already have a good level of Australian ownership to iotroduca new local equity.

Status

Under these measures, a com-Australian owned, 25 per cent of Australian equity together with a majority of Australian owned and has a majority of local directors. Or it can acquire "naturalising" status if it has 25 per cent of Australian equity together with a majority of Australian board members, and makes a public commitment to increase the local equity holding to 51 per cent over a period of time. This is the course on which Conzinc Rio Tinto of Australia (CRA) is now set.

Naturalised and naturalising companies are free to undertake new projects (again with exceptions like uranium) on their own or with Australian or foreign partners. However, if they do go in with foreigners, the resultant mix of equity must follow the 50 per cent guideline where it applies.

This is the clause which seems to have fouled up CRA's recent attempt to get Japanese equity into the Blair Atholl coal project.

The rule book is lengthy and—in cases like this—distinctly coovoluted. But in practice the system is not as restrictive as it might sound.

A line from the FIRB's last annual report probably gives a truer impression of bow it all works:

"During the course of the year, the board's operations have been consistent with the Government's desire that the policy should be administered in a flexible manner."

In the first 39 months of its operations, the FIRB advised the Government on 3,766 proposals. Of these, 648 did not reqoire approval under the policy, 2,047 were approved without conditions, 1,049 were approved subject to certain conditions, and 22 were rejected.

During the same period, a further 111 proposals were withdrawn before the Government bad made up its mind. Most decisions were made within the space of 30 days.

These statistics understate the degree of official intervention, since the FIRB frequently discusses plans in an informal way with prospective foreign investors before the official machinery grinds into action. However they do confirm what most merchant bankers say: that if a foreign investor does bis homework and avoids contentious issues, he is more likely than not to succeed.

Participation

For its part, the FIRB says that it will never press for equity to be transferred at an uncommercial price. Where necessary, it wants to know whether a foreigner has made a reasonable effort to secure local participation: it asks to see correspondence, and it has been known to ask Australian companies which have been offered equity in a foreign project why they turned it down.

But so far as is possible, the FIRB tries to avoid refusals and confrontations, and it is prepared to accept accusations of inconsistency in resigned sileoce.

The fact that it does not spell out the conditions which it might have imposed on a deal makes it vulnerable to such charges. Yet that kind of detail could not be published without threatening the outcome of the commercial transaction in question.

Obviously, the chances of success for a foreigner depend very much on the type of project involved.

Merchant bankers say that a contested bid would have little chance of success, and that your would also be in trouble if a rival Australian bidder entered the lists. The FIRB does not seem to be too happy, either, with the portfolio type of acquisition—where a foreigner bids for a well run Australian business which has no apparent need for new finance or technology.

Recently, there have been suggestions that the authorities are adopting a harder attitude towards foreign investment. These claims have been based on the rejection of the Japanese proposals for the Blair Athol coal project and of the bid by Glaxo of the UK for the F. H. Faulding pharmaceutical business.

Suggestions

However, it seems most improbable that these decisions mark a change in policy. The Glaxo bid, in particular, was fraught with troubles right from the start. It concerned a sensitive industry where there is already a substantial degree of foreign ownership.

It was greeted with vocal opposition from employees and by the South Australian Government, which said that it threatened job opportunities in the state. There was at least a possibility that a local bidder might have been waiting in the wings. In other words, just about all the odds were stacked against the Glaxo offer in the form that it was presented.

The one sure fire winner is an ailing manufacturing company in an area of high unemployment. But there is a good chance of securing official approval for investing in a lot more attractive areas of business activity as well.

Brooke Bond's experience

THE LINK between Brooke Bond Liebig and Bushells Investments—a leading tea processor and distributor—goes back to 1958, when Brooke Bond took a 20 per cent stake in Bushells' main operating subsidiary.

The terms of the deal effectively prevented the UK company from competing in Australia and, by extension, the Pacific basin. And it gave Brooke Bond no board representation.

This arrangement grew increasingly unsatisfactory during the course of the 1970s, when it became apparent that Bushells was lagging behind as its customers switched to tea bags. Brooke Bond decided to get bigger or get out, and negotiations in the early months of 1978 led to agreement on July 21 for a A$34.3m bid for the whole of Bushells Investments.

The controlling shareholders wanted to sell their entire investment, so that Brooke Bond did not have an obvious way of leaving part of the business in Australian hands.

But after a 2½ hour session with the FIRB on August 21, Brooke Bond realised that its plans could be in trouble. It was all very amicable, but the UK company sensed that the civil servants were trying in a helpful way to guide it down some different routes.

The Australian food industry was already heavily dominated by foreigners, and Bushells was a household name. Brooke Bond could not inject any very obvious technology into the Australian company—unlike Pilkington, which received approval at around the same time for its takeover of Sola.

It was not enough to show that the bid was no threat to the national interest. Brooke Bond had to demonstrate that such a move would actually make a positive contribution.

Despite its unease, the UK company was not prepared for what happened next—the publication of a bald statement in the Australia Gazette of September 6 saying that the bid had been prohibited.

The immediate worry was that Australian bidders might be tempted to intervene, which would certainly have scuppered the plan. That did not happen—the bid price certainly looked generous—and by the end of the month a different approach was under discussion.

The idea was to put Brooke Bond's other Australian interests plus the whole of Bushells into a new company, in which the giant life company, Australian Mutual Provident, would take a 25 per cent stake.

In addition, Brooke Bond would undertake that 51 per cent of the business would be in Australian hands within the space of three to five years.

This was enough for the FIRB, and the deal had official blessing by the end of November. For its part, Brooke Bond recognised that pressures for local equity participation were spreading around the world.

Ideally, it would now like to see the Australian interest spread as widely as possible among investors, and although it has a limited time in which to act it would be unlikely to be pressed to make any offer for sale if market conditions make this undesirable at any particular moment.

The attraction of the link with AMP is that it can help to keep a friendly but critical eye on the investment without wishing to exercise day to day control. And AMP is not short of contacts in Australian industry.

Both the FIRB and would-be bidders have learnt from Brooke Bond's experience. The ground rules today are clearer than they were two years ago. And the adverse international reaction to the initial blunt refusal could hardly have gone unnoticed in Canberra.

The AMP takes its opportunity

AUSTRALIA'S investing institutions bava been presented with some attractive opportunities by the intervention of the Foreing Investment Review Board.

The Australian Mutual Provident Society is by no means the only life office which has helped to smooth the path of an overseas bidder by taking part of the equity in the local company and so representing the Australian interest. But it is far and away the largest.

The AMP ranks among the world's 20 biggest life offices, and its proportionate influence on the local capital market is probably four or five times larger than that of the Prudential in London.

It already has a 10 per cent holding in a significant number of Australian companies and has imposed on itself a limit of 12½ per cent.

Its annual cash flow for investment is now running at around A$ 750m, and under the exchange control rules it is allowed to invest only a minute portion of this in foreign capital markets.

So it is hungry for new investment opportunities, and admits to having been helped significantly by the existence of the FIRB.

It currently has associations with companies from nine countries, including Brooke Bond Liebig. It is happy to participate as a sleeping partner (it does not seek to influence the management of independent listed companies either) and it is certainly not short of finance with which to pay its share of any expansion.

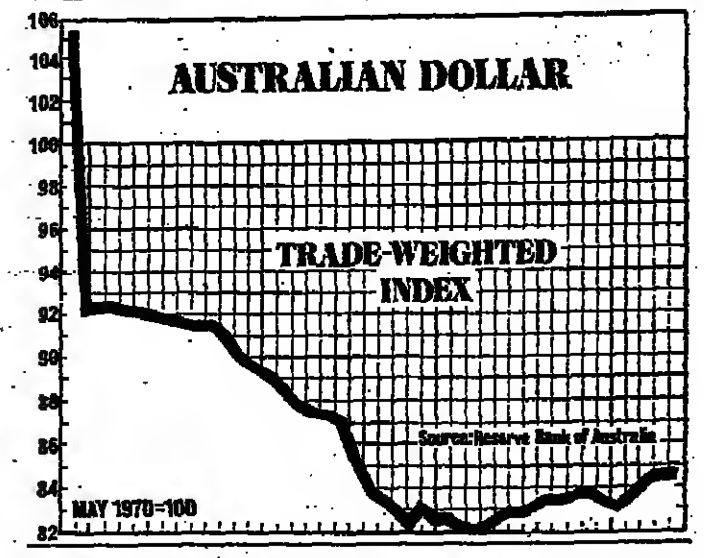
It is also prepared to make direct investments of up to about A$ 100m a year, mainly in natural resource projects of one kind or another.

Among the interests which it has acquired relatively recently are a direct stake in the Pechiney aluminium smelter in New South Wales. It also has a growing involvemant in the coal industry.

The AMP has been a heavy investor in the property sector, which absorbed close on A$ 200m of its new funds last year. But it is now reported to be taking a more cautious approach to the current investment opportunities in this sector, and property is expected to take a rather lower proportion of its funds in 1980.

هكذا من الأصل

A tightly-managed currency



AUSTRALIA's method of exchange rate management is about as restrictive as it could be short of establishing a fixed rate. It is officially described as an "administered system" — which loosely translated is a managed float with the emphasis on management.

The curbs which this imposes on the marketplace would seem intolerable to a liberated UK economist. Infuriatingly enough, though, it all seems to work rather well.

The Australian authorities tend to justify their high level of intervention with the argument that theirs is a comparatively small economy, which is heavily dependent on commodity exports and very vulnerable to any big swings in international financial flows.

In practice, however, exchange rate management has become a key part of the Government's overall economic strategy. This became particularly apparent during the late 1970's, when the dollar was deliberately held above what would have been the free market rate in order to help control domestic inflation.

This policy required the support of large overseas borrowings on official account in order to finance the overall balance of payments deficit.

Until the end of 1971, there was a fixed link between the Australian currency and sterling. For the following three years, the link was switched from sterling to the U.S. dollar, and since then the currency has been tied to movements in the average value of a basket of currencies, which is weighted to reflect each country's trade with Australia.

The rate was pegged firmly to this basket until November, 1976, when a devaluation of 17½ per cent was followed by a new strategy of more frequent—and more modest—adjustments.

Nowadays, the currency is kept under constant review by a group of three wise men—the Governor of the Reserve Bank, the Secretary of the Treasury, and the Secretary of the Department of the Prime Minister and Cabinet.

Their job is to look out for moments when "an assessment of all the relevant economic factors" indicates the need for a change. A stated intention of the present system is to avoid the build-up of expectations of major shifts in the exchange rate over long intervals.

Every day, a mid rate for the A$ against the US$ is announced by the Reserve Bank, and outer limits are set around this rate within which the trading banks can write spot U.S. dollar business with their customers.

The forward exchange rate is also set on a day-to-day basis by the Reserve Bank, and it too is manipulated to suit the authorities' tactics.

For instance, during the initial period of the jump in U.S. interest rates, the forward market relationship actually encouraged inflow into Australia despite the high interest rate differential in favour of the U.S. Crafty stuff.

Strict limits

Each day, the Reserve Bank stands ready to buy and sell the U.S. dollar forward at the announced rate. But in order to limit its net exposure, some quite strict limits are placed on access to forward cover facilities. This has resulted in the development of other, private, facilities in recent years—such as the inter-company hedge market, an inter-bank currency hedging facility and, most recently, trading of currency futures on the Sydney Futures Exchange.

Non-residents are not allowed to take part in these transactions, which essentially amount to Australians taking bets with each other about the future movements of their currency.

A comprehensive set of exchange control regulations is required to back up this system of currency management. Just as happened in the UK, controls were introduced in 1939 in order to conserve foreign currency during the war. Today, however, they are seen quite openly as a mechanism to help the Government to influence the exchange rate, to complement domestic economic policy, and to insulate the Australian monetary system from the rest of the world by regulating short-term capital movements.

This is done by:

- Preventing Australian residents from holding foreign currency balances except for current payment purposes, or making portfolio investments on a fixed interest basis overseas, and by imposing very strict limits on other portfolio investments abroad;
- Constraining non-resident banks and governments from holding A$ balances in excess of minimum working requirements, and non-residents in general from borrowing in Australia except in order to finance the purchase of Australian goods and services;
- Limiting the provision of official forward exchange cover.

In addition, the authorities hold in reserve various special measures, which include an embargo on short-term borrowings overseas, and measures to increase the cost of longer term borrowings from abroad.

At present, none of these supplementary powers are in use, and the Government must be well aware that using them would not be the best way to win friends and influence people on the international capital market.

In the past few years, the Australian dollar has been considerably less volatile than many other currencies. The main explanation for this must be the Government's consistent economic policy, aimed at countering domestic inflation. But there is little question that the system of currency management has also played a part in smoothing out short term fluctuations.

Whether this comprehensive set of controls can withstand the much greater financial strains that are likely to emerge in the 1980s is another question.

Dollar: short term trends... and long term outlook

ONE REASON for the surge in foreign portfolio investment in Australian securities earlier this year was the widespread belief that the Australian dollar had become significantly undervalued — and that a revaluation was only a matter of time.

The arguments for this looked rather convincing. For a start, the exchange rate had barely moved at all during 1979. The trade-weighted index began the year at 82.7 and ended it at just under 83 — which was still within a fraction of its lowest point since the devaluation of November, 1976.

But behind this apparently still picture, a number of developments during the course of 1979 had much increased the attractions of the Australian dollar relative to other currencies.

Most obviously, the leap in oil prices was by no means all bad news for an economy which is nearly 70 per cent self-sufficient in oil and is developing a growing energy surplus.

In addition, rising commodity prices and an extraordinarily bountiful rural season were already having a dramatic impact on the balance of payments. In the first seven months of the financial year 1979-80, exports were almost 40 per cent above the level of the previous year, and although imports were 18 per cent higher, the trade surplus was the largest on record for the period. The invisible deficit rose sharply, but the current account deficit fell to almost a third the size of the corresponding figure in 1978-79.

Local interest rates were way below competing yields overseas. For instance, two year Commonwealth Bonds were still offering under 10½ per cent in January. Yet there was still a large net inflow of private capital in that month, partly reflecting portfolio investment and trade credit inflows. This was more than enough to offset a net outflow of private capital earlier in the financial year.

Meanwhile, the Australian currency has been looking increasingly competitive in terms of international trade. In 1977, Australia's inflation rate was nearly four points above the OECD average at 12.3 per cent. By contrast, the rate in the year to March was down to 10.5 per cent — whereas the OECD average had climbed to 13.1 per cent in the year to February.

This turnround has had a major impact on Australian industry. For instance, BHP says it can compete very effectively with an exchange rate between the Australian and U.S. dollars of around U.S. 1.10 to 1.12 to the Australian dollar, which is around the present rate.

However, within Australia itself a sharp revaluation always seems a much less likely prospect than might have been thought possible in, say, London.

One good reason for this different perspective is the forthcoming election. Within the ruling coalition, the Country Party is traditionally opposed to anything that might threaten the incomes of the rural community. In this sense, a "cheap" currency wins votes.

Experience

Moreover, 1979's experience should probably be regarded as exceptional in terms of current account performance. Although there has been a good rural season for the second year running, the prospect for commodity prices generally is less favourable than was the case only a few months ago.

Rising oil prices will have an impact on the import bill, while imports are also building up for major infrastructure developments. The domestic economy is also growing faster than it was relative to the rest of the world.

For these reasons, Treasury officials expect some slight deterioration in the current account this year. Direct capital inflows are likely to be on a rising trend as resource developments get under way, but portfolio inflows have certainly come off the boil in the last month or two.

Another important reason for caution is the fact that real wages in Australia appear to be on the upswing again. Consumer prices have been rising faster than earnings for most of the past two years.

This pattern now seems to be changing. Some private forecasting groups are now projecting increases of 12 per cent or a bit more in average weekly earnings 1980-81, compared with a likely outturn in 1979-80 of around 9 to 9½ per cent.

This wage pressure is the biggest domestic threat to Australia's economic performance. According to David Love of the Syntec economic consulting group:

"There is a certain amount of danger that we will do what we did in the middle 1970s—namely launch a real wage surge based on pre-existing euphoria, at the very point where the world's product cycle was plunging down."

There is some way to go before this warning threatens to turn into a reality. And the betting is still that the dollar will face gentle upward pressure over the short to medium term.

But there is no doubt about the need for tight monetary and fiscal constraints. The job of economic management will be particularly delicate in this election year, and this summer's Budget will be seen as an important test of the Government's continued resolve.

THE LONGER term outlook for the dollar will be intimately connected to the scale and pace of Australia's natural resource developments.

The combination of a rising level of energy-related exports with a continued heavy demand for foreign capital to finance new projects will be bound to have widespread repercussions throughout the economy.

The implications were spelt out most clearly in a speech by Mr. John Stone, Secretary to the Treasury, in a speech last November. They are directly relevant to anyone contemplating an investment in Australia.

The starting point is a simple economic equation. In terms of the national accounts) domestic investment equals domestic savings plus any deficit on the current account of the balance of payments.

In Australia's case, this survey has attempted to show that domestic savings are unlikely to be anywhere near large enough to satisfy domestic investment requirements in the coming decade. The difference will have to come from abroad, in the shape of a capital inflow in terms of real resources. That will be represented by a current account deficit on the balance of payments.

But domestic investment is not the only part of the equation which will be rising in the 1980s. Export sales, too, should be rising fast as an increasing number of coal, gas and aluminium projects reach the pay-off stage.

In these circumstances, there are only a limited number of ways of making the equation balance.

You can take active steps to encourage imports in a way that is least damaging to your own efficient producers. For Australia, this would involve a gradual dismantling of the import protective regime.

Or you can allow economic forces to produce the required current account readjustment on their own. There are several ways that this could take place, and most of them are nasty.

The first thing that starts to happen as exports rise and imports continue to be restrained is that the current account deficit shrinks and international reserves begin to rise. This in turn attracts speculative financial inflows which reinforce the rise in reserves, and the domestic money supply rises faster than would otherwise have been the case.

At this stage, the authorities might attempt to stem the tide by putting up barriers against capital inflows or by trying to mop up the money supply by selling piles of Government bonds.

But this would really be only fiddling around the edges of the problem. If the pressures continued (as they probably would) there would be only two fundamental choices.

One would be to let the money supply rip, which by pushing up the rate of inflation would damage exports and encourage importers—and so knock back the current account. The other would be to allow the exchange rate to appreciate, which would also have the effect of restoring the necessary equilibrium in the current account.

Controversial

No government in the world would willingly accept the first possibility. More controversially, Mr. Stone is also set against the idea of allowing the exchange rate to rise in the way that has happened, for instance, in the UK. Or rather he argues that it would be wrong to maintain import barriers at the expense of an appreciating exchange rate.

The reason is that a rising exchange rate indiscriminately penalises both the efficient and the inefficient producers in an economy. To the extent that exporters are the most efficient members of the community, it might even be said to hurt the best most.

On the other hand, a reduction in import barriers allows the readjustment to occur to a much greater degree at the expense of those sectors which are most inefficient at competing with imports—that is, the ones which rely most on protection.

Not all economists agree with Mr. Stone's priorities. But since he is one of the "wise men" responsible for managing the currency, they cannot afford to ignore him.

Any move against the tariff regime will have to overcome formidable political hurdles, of which are discussed on the next page. And other countries have found that the problem of trying to manage the exchange rate, the money supply, and domestic rates at one and the same time are simply overwhelming.

A cynic would probably bet that over the next few years, Australia is likely to face a bit of everything as a result of its natural resources boom—a burst of inflation, a higher currency, and selected cuts in import protection.

But this is not inevitable, and at least Australians have a pretty clear perception of the potential risks as well as the rewards which they face in the coming decade.

Mixed fortunes for UK companies

THE PACIFIC region's major English speaking country is not a market for the faint-hearted. Quite a few British companies have come unstuck here and had to slim down or undergo costly reorganisations.

Even so, the effort of installing themselves has generally proved worthwhile. At around A$3.7bn (£1.8bn), total UK investment in Australian businesses made up over 28 per cent of total foreign investment by mid-1978. Most companies now appear optimistic about the outlook, despite past problems.

UK companies are represented in all major industrial sectors, notably heavy industry, consumer goods, textiles, construction, and food and drink. Many of them own large stakes in quoted companies, or have separate operations for different activities.

The following notes which are not meant to be comprehensive, give an impression of some of their recent experiences.

Profits boosted

One major UK group which has profited in Australia is ICI, which owns 62 per cent of the locally-quoted ICI Australia. Last year, prex-tax profits were boosted by over 21 per cent to A$ 94m, with demand for all products strong as the economy picked up.

It completed two major investments—a PVC plant in Victoria and one for polypropylene in New South Wales—at a cost of A$ 100m: these are part of a major new A$ 1bn expansion programme.

At Courtaulds, recent experience has been mixed. Its largest unit in Australia, the 56 per cent-owned Tauhmans Industries on the paint side, saw pre-tax profits edge up from A$ 3.7m to A$ 4.1m last year, with a recovery in the second half after the effects of an industrial dispute in the first.

The outlook is for steady improvement. The company is strong in the automotive market.

Recent results have also been favourable at Courtaulds Hilton, a textile company in which the UK group has a 64 per cent stake. With fabric imports pressing in from cheaper south-east Asian countries, the company has revamped itself by selling low margin operations and concentrating on hosiery. Profits last year were A$ 3.1m before tax, nearly double those of 1978.

Now emerging from a trough, Carpets International's experience shows how difficult it can be to keep in touch with Australian trends and tastes.

A turn for the worse by the economy, competition from imports and a new plant coming on stream as demand declined all contributed to a steep dive in profits, from which its local company, Pacific Carpets International, is only now recovering.

Pre-tax losses were around £390,000 last year, not so bad as the previous two years, and the hope is for a return to profits in 1980.

Textiles group Tootal hopes tariffs remain at present levels to keep cheap imports at bay. Tootal is happy with its experience in Australia and with the results of the merger of its Actil and Tootal Australia interests there with Bradmill, in which it recently took a large stake.

The electrical sector has also brought problems for foreign companies. Thorn, riding on the back of a colour TV boom, was making healthy profits until the market fell flat some two years ago.

It has reduced its investment in the local AWA company from 50 to 20 per cent—profits there are now solid rather than buoyant—while retaining its strength on the rental side. In the lighting sector, imports from south-east Asia and the U.S. are causing problems.

The music division of EMI, now part of the renamed Thorn-EMI group, has made losses recently as young record buyers have been affected by unemployment. But there is a profitable defence operation to offset this.

Without Thorn's rental side, the group as a whole would clearly be more vulnerable to the vagaries of Australian tastes and economic conditions.

GEC made higher Australian profits in the financial year to March 1980—the year before they were £5m in sterling terms—with public sector orders recovering and an apparent end to problems on the wholesaling side.

Noting that high labour rates and relatively low productivity do not exactly make Australia a manufacturers' paradise, the group is cautious about the future although the economy has picked up, there are some doubts about how long it can withstand world recessionary trends.

Looking for much higher Australian profits this year is Rank Organisation, which has recently restructured its interests there through acquisitions and the formation of two joint companies with General Electric of the U.S.

Also doing better this year after difficulties in 1979 is Vickers which moved into the red in Australia. Its Ruwolt division (machinery and steels) quoted low prices to keep essential skills when demand was low and losses here cancelled out profits elsewhere. After some radical restructuring, the position is now healthier.

BICC, the British cables group, is pleased with prospects for its 62 per cent owned Australian company, Metal Manufacturers, which last year lifted pre-tax profits from A$26m to A$39.2m. Heavy spending by resource-based industries benefitted the subsidiary, which generates a significant slice of the parent's overseas earnings.

With economic conditions uncertain in the U.S. and elsewhere and oil prices moving higher, the Australian economy could suffer a jolt this year, feels the management of Commonwealth Industrial Gases, in which Britain's BOC International has a 58 per cent stake.

CIG's profits advanced last year from A$24.7m to A$27.5m and it forecasts higher firsts this year, subject to any economic downturn. It is investing steadily to meet anticipated future demand.

Pilkington's half-owned Australian operation, Pilkington ACI, also invested heavily in a new float glass plant a few years ago. It has benefitted recently from higher demand for flat glass and laminated safety glass and kept its share of the market for other types of glass. But the automotive safety glass market is a higher competitive one. Late in 1978, the group bought Sola, an Australian lens company for A$4.2m.

After cutting its Australian operation drastically in the mid-1970s, when it conceded defeat in the volume car market, BL now only makes the little Moke runabout vehicle and sells Jaguars, Rovers and the Triumph TR7 sports model.

A major takeover of Olympia Consolidated Industries was announced earlier this month by Dunlop Australia, in which Britain's Dunlop owns barely more than a tenth.

Slow year

Showing optimism about Australia's medium-term prospects but not expecting too many fireworks in 1980 is Bowater, 46 per cent owner of Escor whose activities span industrial and transport equipment, caravans, paper and freighters.

Last year, Escor's pre-tax profits were A$3.5m against A$3.2m. Flat demand has hit parts of the business, notably caravans and tissues, and this year is likely to be slow.

Escor has decided to pull out of textiles, releasing around A$6m. The UK group also owns half of Bowater-Scott in the pulp and paper sector.

One company whose Australian fortunes are closely tied to the performance of the domestic economy is Blue Circle, which owns Blue Circle Southern Cement jointly with Broken Hill Pty (BHP).

BCSC completed a major plant at a total cost of A$75m in New South Wales and has this year made a bid for the remaining shares in Swan Portland, a Western Australia company which it already controls.

Rugby Portland feels it is on to an eventual winner with its interests in Western Australia, where a state Government favourable to industrial development has just been re-elected and a large part of the country's mining activity is based.

At the consumer end of the Australian market, BAT Industries, which has a 41 per cent stake in Amatil, has been running into tough competition and price cutting.

Amatil's results were slightly lower before tax last year at A$45m. Even so, the tobacco division, also affected by a hefty excise increase in 1978, did so fall too far below previous record levels, while snack foods and meat and pastoral activities also turned in a better performance.

A fairly problem-free year was experienced by Reckitt and Colman Australia, 70 per cent owned by its UK parent. Pre-tax profits rose from A$22.5m to A$25.4m, although sterling's strength ironed out most of the improvement in British currency terms.

The company has not had a profits setback for 11 years. As well as food and household products, it is also involved in wine, pharmaceuticals, and industrial cleaning.

Dalgety, long associated with the Australian farming sector, has changed its tack in the last few years.

Dalgety is now out of farming and grazing altogether, concentrating instead on marketing, credit and equipment supply, as well as having a stake in the coal mining area. The recent drought is not, therefore, expected to have had a major impact on its local performance.

Trading profits of Cadbury Schweppes took a dip in Australia last year from £6.5m to £5.7m, and restructuring was necessary on the confectionery side, hit by stiff competition and changing tastes.

Rowntree Mackintosh has also found the market an awkward one. Last year, costs of rationalisation in Australia came to £1.5m. But it expects profits growth as the benefits of its three-year rationalisation programme, costing A$12m, show through.

Andrew Fisher

Pressure for tariff reform

THERE ARE bracing days ahead for Australia's manufacturing industry. For much of the post-war period, the Government's industrial policy has actively encouraged import substitution behind a wall of import restrictions and tariff barriers. This strategy seems likely to come under increasing pressure during the next decade.

The strictly financial argument for a change in the import policy has been described in a previous article. This is that import substitution will become more and more inappropriate as export sales from the resources sector start to accelerate and capital flows in from abroad to finance further peojects.

Something wil lhave to give—and if it is not to be the import barriers, then the strain will be reflected either in a rising dollar parity, an increasing rate of inflation, or both.

Critics of the tariff policy have several other strings to their bow. Another argument is that the attempt to limit imports has in recent years slowed down overall economic growth by encouraging scarce national resources to remain in activities which are not particularly efficient by international standards, and which have little growth potential beyond the confines of a small and slowly growing domestic market.

Evidence produced to support this claim is the fact that investment in the highly-protected textile, clothing and footwear industries has been increasing in recent years despite a long-term trend against these sectors. It reached a peak of over A$70m (£34m) in 1978-79.

In addition, it is claimed that efficient Australian industries are being placed at a competitive disadvantage in the domestic and — more particularly—the export market by their tariff-inflated input costs. An analysis peoduced last year by the Industries Assistance Commission concluded that the indnstries which were most likely to be able to exploit the developing Asian export markets had a nnmber of characteristics in common.

Recognition

Relative to other Australian manufacturers, they had a high level of capital intensity, low effective rates of Government assistance—and high tariff costs on their inputs.

Recognition of the true costs of import protection came earlier this month from the most unexpected of sources. The textile and clothing industry is numbered among the most active lobbyists for trade protection, as it is in many other developed economies in the world. Yet in what has been described as a turning point in the protection debate in Australia, a group of clothing manufacturers broke away from the usual party line and urged instead that all tariff and quote protection should be removed from textiles.

Such a move, the group said, would give a big boost to the labour-intensiva clothing industry by reducing its input coats. Job opportunities would be boosted accordingly.

Other industrialists putting the case for reforms are those involved in the natural resources sector, who have an obvious interest in promoting the widest possible development of international trade. Just a fortnight ago, Conzinc Rio Tinto of Australia's Sir Roderick Carnegie pointed out that thanks to a period of fiscal and monetary control the competitive position of Australian industry in international markets had been largely restored.

He said: "World demand for our resources is promising in the medium to longer term. Private employment in Australia is growing. Against this background, it would be unfortunate if the Government did not start reducing excessive tariff and quota protection levels so that international trading opportunities can be secured for the nation."

Such opportunities are seen most clearly in the developing Asiao economies. The Industries Assistance Commission has forecast that the total import market in these markets is likely to grow at abont 11 per cent a year in real terms. If this trend continnes, and Australia can retain its market share, then by tbe end of the decade these economies could contribnte as mucb to Australia's trade as Japan does today.

From the Government's point of view, an attractive feature of Australia's existing exports to these developing economies is that they include a high proportion of manufactured products compared with sales to other major markets such as the EEC or Japan.

The Commission says that the ability of many industries to export would he strengthened if government assistance to other industries was reduced. It is also argued that increased access to such new markets would be facilitated if Australia in return was prepared to let in more of their manufactured products.

However, any across the board attack on tariffs seems highly impcobable. As the Bank of New South Wales explained in a recent economic commentary:

"Although this cavalier approach may well have some advantages, as a matter of political reality no Australian Government can be expected in the next decade or so to rush headlong into the minefield of wholesale tariff reform. Rather, the primary aim should he to encourage manufacturing industry to invest in enhancing its competitiveness, thereby making it possible to dismantle the most restrictive import barriers—quotas—before moving on to gradual, general tariff cuts."

This approach certainly squares with the Government's view. It has publicly recognised that "the community will be best served by a manufacturing sector with a structure requiring minimum levels of Government support," yet it stresses that this is very much a long-term objective. There will be peogress towards lower and more stable levels of import protection than have been general in the past—but it will be gradual.

The thinking behind this cautious stance is obvious, and can be summed up in the title of a recent booklet on peotection published by the Textile Council of Australia: "120,000 Jobs on the Line." As one might expect, the effective rate of peotection tends to be lowest for the fastest-growing industriea and highest for those which are showing the fastest rate of decline.

In particular, employment in the textiles, clothing and footwear industries declined on average by about 5 per cent a year between 1969 and 1978—and still accounted for more than 10 per cent of all employment in manufacturing industry at the end of the period.

The effective rate of assistance from tariffs, quotas and subsidies to these sectors has risen sharply over the years: expressed as the percentage by which value added per unit has been increased by assistance it amounted in the case of clothing and footwear, to 149 per cent in 1977-78. This compares with an average effective rate of 26 per cent for manufacturing industry as a whole.

For all its growing importance to the economy, the natural resourcea sector still accounts for less than 5 per cent of total employment. It seems all but inevitable that the higher levels of peotection will be eased back in the next few years. But with unemployment still running at over 6 per cent of the labour force, Australian manufacturing industry is not going to he exposed overnight to the full blast of free market forces.

AUSTRALIAN MANUFACTURING INDUSTRY

	% Average annual growth in value added 1968-69 to 1977-78 at constant prices	Employment: Persons employed June, 1978 '000	Employment: % Average annual growth rate 1969-78	Protection: effective rate in 1977-78: see note (%)
Food, beverages and tobacco	5.3	183	− 0.2	57
Textiles	0.1	37	− 5.2	57
Clothing and footwear	0.4	80	− 4.5	149
Wood, wood products	1.3	71	− 1.7	18
Paper, paper products, printing	2.3	96	− 0.8	29
Chemical, petroleum and coal products	3.2	62	− 0.4	18
Non-metallic mineral products	2.9	45	− 1.3	5
Basic metal products	2.7	89	− 0.1	14
Fabricated metal products	− 0.3	103	− 1.3	32
Transport equipment	1.9	155	− 2.4	21
Other machinery and equipment	1.8	140	− 0.6	61
Miscellaneous	4.9	63	− 0.8	27
TOTAL MANUFACTURING	2.7	1,123	− 1.5	26

Note: Effective rate of assistance = % by which value added per unit of output is increased by tariffs, quotas and subsidies.
Source: Industries Assistance Commission.

Financial system under a spotlight

A REAPPRAISAL of the whole financial system is under way in Australia.

For more than 40 years the financial markets have been subject to a wide and sometimes arbitrary regime of official intervention and regulation. Just about every aspect of this is now being questioned in a public forum.

The Campbell committee of inquiry into the Australian financial system was appointed by the Government early last year, and given a very wide brief. Its terms of reference include the banking sector, the securities industry, the money market, the Reserve Bank — and anything else which may seem relevant.

The key issue concerns the role of government in the market place. The committee is trying to look at the rationale for official intervention wherever it occurs, and to establish whether such intervention achieves its intended objectives. It also wants to pinpoint how far these objectives in turn conflict with the efficient working of the markets, and whether the trade-off between the two is at an acceptable cost.

The committee has five members, all with a business or banking background, under the chairmanship of Mr. Keith Campbell, who is chairman of a large property company.

The secretary, a senior Treasury official, also takes an active part in the public debates and there is a small support staff — again mainly with a Treasury or banking background.

The initial assumption was thot a committee of such unimpeachable orthodoxy was most unlikely to rock the official boat, and would turn out to be a pushover for the Treasury and the Reserve Bank. The reality has been quite different, at least so far. By contrast with the somewhat sleepy deliberations of Sir Harold Wilson's committee which is looking into the UK financial system, the Campbell committee's public hearings fairly crackle with crisp and informed questioning.

The Treasury mandarins were subjected to an especially warm grilling. At the end, their spokesman was obliged to interject:

"Mr. chairman, I would not be forced into the situation of saying that I have no concerns whatsoever."

"Right," said Mr. Campbell.

Over the past 12 months it has become clear that the committee is instinctively a liberalising group. But it has also been made very aware of the extent to which regulations have become engrained into the system.

A recurrent theme of the evidence from the central bank and the civil servants has been that although the principles in favour of establishing a more open market are not in question, there are in practice formidable objections to any sweeping changes. As the man from the Treasury put it:

"Those considerations lead us to the view that whatever might be the case in a more perfect world, that is not the kind of world we are presently living in, nor are we so, perhaps, starry-eyed about the future as to imagine that we are likely, quickly, to emerge into that kind of world."

Although the committee probably takes a more robust view of the need for change, it is not going to make recommendations which have no chance of being implemented.

There have been a host of official inquiries into various aspects of Australian life in the past decade, and practically all of them have sunk without trace. Mr. Campbell has made it clear in rather forceful terms that he intends his inquiry to be the exception, and he has secured the implicit assurance of the Government that the report is not going to be allowed to gather dust.

For this reason alone, the recommendations are unlikely to be all that radical. But if nothing else they should help to streamline what has become in some respects a very ramshackle set of controls. In the area of foreign exchange, for example, the tedious process of seeking what are all but automatic approvals from the Reserve Bank could well be swept away.

The committee's interim report is due any moment: it will summarise the main issues and explain the workings of the system, but it will not make any recommendations. This will be followed by a series of seminars on specific issues, including some which the committee has commissioned private consultants to examine. These cover subjects like monetary targeting, foreign exchange policy and business taxation.

There will then be a further series of discussions with the authorities, followed by the report itself—which could be out by the end of this year but is more likely to take a few months longer.

The following notes cover some of the main topics under examination.

Some of the main issues to be considered

Financial controls

A FREQUENT criticism of the existing financial system is that the authorities try to control too much.

The attempt to establish prices and quantities in the markets for goods, labour, foreign exchange and finance inevitably leads to disequilibrium. To avoid such inconsistencies, the Australian Bankers' Association has urged that the practice of simultaneously setting interest rates on Government securities and money supply guidelines should be abandoned.

In future, it says, the monetary authorities should turn to general market oriented controls, rather than direct controls, as their primary instrument of monetary policy. This would be achieved mainly through open market operations.

Direct bank controls

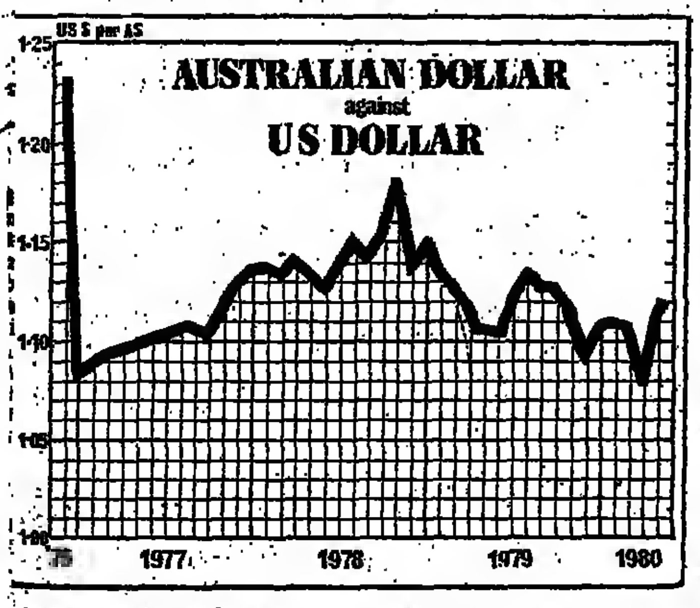
The Australian trading banks are subject to a system of reserve requirements, which serve both to guard the solvency of the system and as an instrument of monetary control. The trading banks are subject to a cash reserve requirement and a secondary liquid assets requirement, while the savings banks must satisfy a cash requirement and a more broadly prescribed assets ratio. In addition the central bank has, with the approval of the Treasury, the power to regulate interest rates. Although no regulations have been made, the banks accept "guidance."

The existence of these controls has contributed over the years to the rapid growth of the so-called non bank financial intermediaries (NBFIs)—building societies, finance companies, money market corporations and the like. These NBFIs have been subject to less centralised supervision than the main trading and savings banks. This is not the only reason for their growing importance in the financial system — convenience and more flexible opening hours have also played a part. But it is clearly a trend that merits close attention.

In a revealing aside during a public discussion with the Reserve Bank, Mr. Campbell pointed the paradox that whereas foreign banks were begging to get a foothold in the country, enterprising Australians preferred to set up other types of financial intermediaries. His unanswered question was whether the explanation lay in the unevenness of direct controls.

If there is to be a significant move towards a more open-market financial system, bank reserve requirements will become much less relevant as an instrument of monetary policy. Extending the regulations covering the trading and savings banks to cover the NBFIs as well would involve a huge administrative effort, if it was practical at all.

For these reasons, the Bankers' Association has argued (predictably enough) that equality in competition between banks and NBFIs should be achieved by the removal of direct controls on their banking operations.



The bond market

Written evidence to the committee has highlighted the present illiquidity of the market in Government and semi-Government issues.

Any move towards a more developed open-market system would require the development of a broader secondary market. The authorities have already taken a tentative step in this direction with the introduction of a "tap" system for the sale of bonds.

Some witnesses have gone further and suggested that an auction system should be introduced for new issues of Government securities. A Treasury note tender system was introduced last winter.

One point on which there has been widespread agreement concerns the drawbacks of the so-called 30/20 requirement, which gives the Government a captive market for its bonds.

Under this rule, life offices and superannuation funds are virtually compelled to keep at least 30 per cent of their assets in Government and semi-Government securities.

The introduction of this legislation in the early 1960s led to interest rates on private sector securities rising by between 1 and 2 per cent relative to those on Government bonds. Its critics also say that means that the true costs of money are disguised.

Treasury witnesses seemed reasonably relaxed about the idea of moving this requirement over the longish term. But they counterpunched quite close to the belt with the thought that in such circumstances the various tax privileges enjoyed by the life offices might also have to be reviewed.

Sectoral assistance

This issue concerns the extent to which various sectors — such as housing or small businesses—should be subsidised through the application of qualitative guidelines to the financial market by the imposition of official or semi-official ceilings on loan rates.

The great majority of submissions have said that benefits should not be provided in this way, but through fiscal measures. Mr. Campbell has suggested that the most honest and efficient course would be for the Government to spell out in its Budget each year those specific areas which it intended to support. That way, the true economic cost would become apparent.

Foreign banks

Since the war, Government policy has been to withold approval from any foreign bank wishing to establish a banking business in Australia, or to acquire an interest in an existing Australian bank. In a characteristically aggressive submission, Citibank alleged.

"The lack of competitive incentive has made the Australian trading banks slower in responding to changes in market needs than their counterparts in other countries and some domestic non-bank competitors.

"Discussion with Australian corporate treasurers indicates that trading banks are generally viewed as inflexible in servicing customer needs and slow to develop new products and services as financial markets change."

Citibank also produced evidence to show that Australia's corporate treasurers are obliged to pay more for certain essential services than their opposite numbers in more competitive financial centres overseas.

Its conclusion was that a liberalisation of present Government policy to allow entry of selected major foreign banks would result in substantial economic benefits to Australia.

Just in case anyone missed the point, it added a final chapter to its submission entitled: "Testing the benefits: the Citibank example."

Foreign exchange

A number of witnesses have focussed on the costs and rigidities of present exchange control procedures. The Department of Industry and Commerce has suggested that ways should be found of extending the present forward exchange facilities to provide more flexibility for companies wishing to borrow overseas.

The Australian Merchant Bankers' Association has suggested that a competitive spot foreign exchange market should be established, with the Reserve Bank achieving its exchange rate objectives through intervention in the market place.

The Australian Bankers' Association has recommended thta exchange controls should be gradually elminated altogether.

The Stock Exchange

The liquidity of the Australian stock market is low by international standards—and the postion is deteriorating.

Private investors are withdrawing their funds and placing them increasingly in short term low risk deposits. Partly because of this the new money raised by listed companies since 1972 has largely been in the form of debt rather than equity.

The Australian Associated Stock Exchanges have told the committee that this trend is alarming, and must be reversed. One reason for the retreat of the private investor, they say, is that an investment in shares carries a relatively high tax burden compared with holdings of other assets like fixed interest securities or property.

This arises because of the combination of company tax and personal income tax that reduces the actual level of income received as dividends. Income from fixed interest securities is subject only to income tax.

So one of the key recommendations of the stock exchanges (and one that others have put forward, too) is thot an imputation system should be introduced for the taxation of company profits and dividends.

Other submissions have contained some quite crisp messages about the need for the stock exchanges themselves to change their ways. Several have called for greater disclosure of financial and accounting information, and for the early operation of the National Companies and Securities Commission to implement a series of law reforms.

The Australian Mutual Provident Society has said that stockbrokers' charges are high by international standards, and tend to discourage investment. It has also criticised the way in which some brokers involve themselves in principal dealing, as opposed simply to operating in an agency capacity.

"This practice," it says, "gives rise to certain irreconcilable conflicts of interest and acts to distort the market, particularly having regard to the fact that brokers pay no commission, and should be discouraged."

This view, by the way, would surely make the AMP a star witness for the London Stock Exchange, which is going to have to defend its system of single capacity trading in front of the UK's Restrictive Practices Court.

Development finance

This could become a hot political potato in Australia. A number of institutions have been established in the public and private sector over the past decade to provide development finance of one kind or another. They include the Australian Industry Development Corporation (sometimes known as the McEwen bank after the former leader of the Country Party); the Australian Resources Development Bank; and the Primary Industry Bank of Australia.

They tend to provide refinancing facilities rather than "soft" loans; their record has not been uniformly bright and—to an outsider, at least—their role is not altogether clear. The Campbell committee is certainly going to have to give some guidance about where they should go from here.

Timetable for reform

The committee's job is not just to pinpoint those areas of the Australian financial system that need to be reformed. It has also to decide how such changes should best be implemented, and over what period of time. This will be one of its most ticklish challenges.

Suppose, for argument's sake, that it decides to recommend that the present system of bank licensing should be scrapped. To the extent that they are just not available at present, bank licences represent a priceless asset to those that have them. Could they just be torn up overnight?

The Campbell committee is having to pick its way through a mine field. Its footwork has been delicate so far, but much the stickiest part of its journey is yet to come.

Outlook for the coming election

THE COALITION Government led by Prime Minister Mr. Melcolm Fraser must faca an election wilhin the next 10 months. The date predicted unanimouely by the p undits in December t3, when the Government's three-yeer lerm of office ands.

Mr. Fraser won power et the head of a Liberal-National Cnuntry Party coalition in December 1975 when the Governor - General dismissed the Labor Government of Mr. Gough Whitlam after the Liberal - controlled Senate refuaed to pass the 1975 Budget, denying the Government funds.

Mr. Fraser won a record majority of 55 seats in the t27-seat House of Representatives. In December t977 he called an election a year erly and was returned with a 48-seat majority in the new 124-seat House. It was the second highest majority on record.

The Labor Party, led by Mr. Bill Hayden, needs a 6.1 per cent swing to win this year.

Labor has been consistently ahead of the Liberals in opinion polls in the past two years end most analysts believe there will be a swing to Labor, hut not sufficient to give Mr. Haydeo power.

Australia has e preferenllal veting system and most of the minor parties tend to be anti-Labor. So an apparent Labor lead in primary voles is usually whittled down when preferences from the minor parties are distributed.

One of Australia's leading psephologists, Mr. Malcolm Mackerras, a lecturer in government at the Duntroon Military College in Cenberra and author of books on Austrelian elections, has estimated that to win power Labor must gel 51.5 per cent of the vate after preferences have been distributed.

Labor is not helped by the difference in p opulations size between country electorates, which usually return conservative members, and the more populous city electorates, which are the source of Labor's support.

Backlash

There is expected lo be some backlash against the Fraser Government over lis policy of pricing doemstically produced Australian crude oil, which comprises nearly 70 per cenl of the country's needs, al world parity—usually the price of Saudi Arabian light crude.

The Government argument is *that oil needs to* he conserved, but rapidly increasing pelrol prices in a conntry which relies heavily on the private motor cer bavt hit Australiaos bard.

Unemployment, currently running at 6.1 per cent of the workforce, appears to be declining as an election issue. Opinion polls show that aboot a third of those asked believe unemployment is the Government's fault, a third blame the unions, Labor's main power base—and a third blame the unemployed themselves.

Escaleting health cosls and confusion over voluntary health insurance since the Government disbanded the natiooel insurance scheme, Medibank, is almost certain to he another factor weighing against the Government.

Mr. Mackerras believes there will also be some backlash against the Governmenl over broken promises, including the promise not to disband Medibank and to cut taxes.

The Liberal-National Country Party coalitieo came to power in 1975 on the promise of lower income tax, hul in fact imposed a tax surcharge which was only removed last December. Nominal tax cuts will take effect from July 1.

Io spite of the fact that the Government is not over popular, most observers still expect the *coalition to* win. The only dehale is about the the majority.

The general view is that Australia is conservative with a small "c" and that Mr. Heyden is not widely seen ae a leader of the country. People tend to view Labor ae an opposition party which is not surprisinglg; It has been in office for only three years in the past 30.

It is clear that Mr. Fraser himself expects to win. Both he and his treaeurer, Mr. John Howard, have confirmed in recent weeks that there will he no change of policy on the economic front in order to buy votes.

This does not mean the Government willl not offer some small concessions in the August Budget—an increaae in welfare payments and perhapa another small income tax cut fineneed from the oil parity pricing tax.

But the main concerns will remain control of inflation rising), limits on the growth of the money suppty (M3) to 10 per cent per annum, and reduction of the domestic deficit.

The Government has relterated its commitment to crealing an environment condusive to private investment and with minimum government intervention. Control of inflation leading to business confidence is sen as the only way of reviving the rather slagnanl economy.

Treasury officiale end Mr. Howard's own office say there is no sign of the Government pulling hack now from the stringent monetary and fiscal conatraits exercised through the past five hudgets—including the 1975 Labor Government Budget brought down by Mr. Heyden, who was then Treasurer.

However, as Mr. Mackerras points out, a savage reduction in *Mr. Fraser's majority—say* to five or seven after December could make a psychological difference to how the Government acts in future.

In the past, t ehaize of Mr. Fraser's majority (and his own standing within the coalition beceuse of his record wins at the polls), bave made it much easier for him to persist with unpopular policies such as the income tax surcharge, higher petrol prices and lower real wages.

Labour makes nn secret of the fact that it would follow more expansionary policies. But Mr. Hayden is widely recognised as having a firm grasp of economlcs and the moderale Mr. Ralph Willis is current Labour spokesman on economlc affairs.

Inducements

Mr. Willia says Labour's priority in government *would* be lo achieve an improvement in real personal disposable income to stimulate the economy ihrough increased consumer demand, wbich has been very depressed over the past few years.

Labour would abolish the 20 per cent investment allowance and replace it with selective inducements where structural adjustmenl is considered necessary in the national interest.

Labour would elso restructure lhe lax schedules lo ease the tax burden on middle- and low-income earners. In addition, Labour would probably allow a growth in the money supply of 1 or 2 per cent more than the 10 per cent being pursued by tha Government.

The opposition believes that with inflation at 10.5 per cent the current money supply growth target is stifling growth.

Mr. Willis says Labour would follow a more expansionary fiscal policy, but not in any wild or unco-ordinated way. For example there would probably be assistance to home building tn stimulate employment in the depressed building industry and at the same time provide the benefit of more houses. Welfare payments and shcemes to aid the unemployed would also be increased.

Labour would introduce a resources rent tax or "super-profits" tax, to finance increased Government expenditure.

The tax would cut in after a corporation had made what the Government considered to be a reasonable return allowing for expansion plene.

Labor justifies the proposed tax by saying that many of the mining operations in Australia are making huge, even "excessive" profits for their parent concerns — often in other countries. As the resources are non-renewable, a certain amount should be returned to Australia for the benefit of Australians.

An election for half the Senact will coincide with the House of Representatives election. Half the senators come up for re-election every three years. The term of office in the Senate ts six years compared with the Housen f Representotives' three years.

Observers believe the Liberal National Country Party Coalition will lose its current absolute majority, but with the support of independente and smaller parties should not actually loee control of the Senate.

Patricia Newby

Roxby Downs mineral project gets bigger and bigger

IT IS MONOTONOUS country, the Roxby Downs station in South Australia. Flat, a semi-desert, but over the last four years a territory with new landmarks — shifting landmarks, *in fact*, because the new feature of the landscape is the drilling rig.

In one area Western Mining Corporation had 10 rigs at work by the end of March seeking to define exactly the degree of wealth underground. How deep, how wide is the treasure trove of copper, uranium and gold—these are the questions the company is trying to answer.

The company itself has been cautious. Early comments about "very large tonnages of mineralisation" have given way in acknowledgement of "the large deposit." But Mr. Douglas Anthony, the Commonwealth Minister for Trade and Resources, has been less reticent.

"This great mining deposit," he called it. It "contains as much copper as Mount Isa, and all the other copper-producing mines in Australia, as well as a content of gold, and has more uranium than the three prospective mines in the Northern Territory."

At the very least, then, Roxby Downs is the most significant mineral discovery in Australia for more than a decade, and some think it the most exciting find this century. It is not so much because of the richness of the mineral grades—there are higher copper grades in Zambia and higher uranium grades in the Northern Territory—but because of the potential size of the deposits.

Astute geological detection work led Western Mining to the area in the first place; the State, in any case, has a long history of copper mining. But the problem was that the minerals would be under a cover of barren rocks.

The first exploratory drilling took place in 1975 and in October 1976 the company conceded cautiously that it had found copper ore. In the company conceded cautiously that it had found copper ore, but the amount of copper in the ore was about 1 per cent —a handy find in the light of the low grades which are mined in the U.S., but nothing to get excited about.

What was more encouraging was the suggestion that "an extensive area of copper mineralisation has been discovered beneath a thick sequence of barren cover rocks." At a depth, in fact, of more than 300 metres.

Since, then it has been established that the orebody covers at teast an area of six square kilometres and that copper mineralisation is present at a depth of 1,000 metres. And that is just the Olympic Dam part of the venture.

Abont 25 kilometres away from Olympic Dam more *copper* and uranium have been fonnd. This has led to the suggestion that the new discovery may be part of the Olympic Dam orebody.

Burden

But a discovery on this scale brought problems to Western Mining. Costs increased as the exploration became more extensive and any decision to develop a mine would involve investment of at least A$ 1bn and probably more. The group is not small, but capital spending to that extent would be burdensome. Still there were plenty of bigger groups, oil majors among them, willing to join in.

The successful suitor turned out to be British Petroleum, which agreed last year to take 49 per cent of a joint ventnre. BP will pay A$ 50m (£24.3m) to meet exploration aod feasibility study costs. It will ensure that there are funds available to develop a mine and facilities to prodnce 150,000 tonnes of cnpper a year.

For its part, Western Mining's share of the costs will be secured against the project and will be repaid from cash flow. At one swoop the grnup had secured financial support and kept control of the project.

But there is longer term importance. The agreement, made in conjunction with the group's development of the Yeelirrie uranium deposit in Western Australia and its strength in nickel and gold, secures for Western Mining a steady pattern of growth into the 1990s.

Further, the joint venture agreement establishes a closer relationship with BP. The two groups already had one exploration joint venture at Benambra in Victoria before Roxby Downs. The relationship emphasises the trend towards the marriage of mining company expertise with oil cash.

For BP, the Rnxby Downs venture represents its biggest foray so far into the non-fuel minerals industry, a notable diversification which provides the basis fnr the group to emerge as a mining major, certainly in Australian terms and probably internationally too.

Paul Cheeseright

Wages: the biggest threat to economic strategy

WAGE PRESSURES represent the biggest aingle challenge for the Fraser government in its prime goal of economic policy—reduction of inflation.

Under Australia's constitution the Government caonot directly control wages. An amendment to the constitution to give the Government auch unpopular power la virtually unthinkable—a majority of people in a majority of states would he necessary for a referendum on the subject to succeed.

So the Government is forced to rely in large measure on jawbaning. As It admitted in its own suhmission before the Federal Abritration Commission at the t979 nationel wage case hearing: "There is clear potentiat for wege determinalion to frustrate the Government's anti-inflation objective."

Most of Australia's 6.6m wage and salary earnera work under a system of awards, ebout half of which are negotiated nationally *through* the *Federal* Arbitration Commission and the remainder mainly through state awards which are heavily influenced by decisions at federal level.

Twice a year, in whet ia called the national wage case, the arbitration commission examines rises in the consumer price index for the previous six montha, weighs evidence from unions, employers and the Government and makes a pay judgment which affects the entire workforce.

One of tbe resulla of the national wages policy is that there ia very little difference in wage rates prevailing in different geographic regions—and there are quite small differentials between occupations.

Because of its link either fully or partly to the consumer price index, the national wage case guarantees that inflatioo is reflected in the system. Some people argue that wages would not rise so much if left to collective bargaining. However, the Government, the employers and the unions at present support the centralised wage fixing as it brings some order to the tabour market and protects weaker unionists.

Since the natiooal wage case began in its currenl form five years ago It has been the major eource of pay rises in Australia. So far there has been substential adherence to the system although there is nothing to stop unions hargainiog on en industry hasis for higher wages.

Pressure

In six of the 15 arbitration commission decisions in the past five years wage rises have been granted at the full level of prices increases.

But, under pressure from employers and the Governmenl the commission has tended towards part indexation with the result that the real value of average award wages has fallen by nearly six per cent in the past five years.

Real earnings have not fellen by as much because of other wage settlements and a certain amount of wages drift above awerd rates. All the same, the current average weekly male earnings, counting overtime, of A$ 245 (£125) is one to two per cenl lowei in real terms than the level *five* years ago.

The present position ia fragile. At thn end of 1978 the uoioos, aware that real wages were being eroded through the part indexation of lhe national wage case, begao a series of claims induatry by industry for a "work value" or "productivity" increase.

The work value cases are *simply* a way round national wege fixing to gain higher wages.

The arbitration commission has *fixed* on an arbitrary "guideline" figure of $8 a week riae for any industry, regardless of true work value increases.

So far, abnut 40 per cent of the workforce has received the work value rise since 1978, a surprisingly, and for the government, comfortingly slow rate of penetration through the system.

Australia has a poor international reputation for industrial disputes and, indeed, although numbers of days lost because of strikes have fallen in the 1970e, Austrelia eiill seems to be risiog in the ladder of the world's most disputatioua netions.

The curreot rate is well above those of Japan, Scandinavia and most of western Europe, but about equal with the U.S. and lower than the rate for Canada, Italy, Spain, Ireland or India.

Taking International Labour Organisation figures for the four years to 1978 (the latest available) io miniog, quarrying, menufacturing, construction aod transport, Australia lost an average 1,148 days per thousand workers nach year because of indusfital dispnles, while the UK lost 630, Ireland 1,083, Italy 1,623 and Canada 2,030.

In the financial year ended 1976 a total of 3m working days were lost becauae of strikes. *This* was *followed* by 3.1m in 1977, 1.9m in t978, and 3.6m io the year ended June 30, 1979. These rates compare with the 5.4m days lost in 1973 74.

Managerial policy

Wages are behind about two-thirds of disputes. Roughly 20 per cent fall into e category *described* by the statistics bureau as managerial policy—matters such as computation of wagea, hours, leave, docking pay victimiaation, disciplinary measures including dismissal, principles of promotion and transfer.

The number of unions on the Australian scene is one source of friction, with at least 350 operaling in a smell labour market. Both the unions and the Government fevour amalgamation but It la a slow process.

As on the wages front, the dispute settling prncess remains fairly delicately balanced. A major confrontation is threatening within the next 12 months as the metal trades industries begin *their* campaign for a reduction of working hours from 40 to 35 a week.

The metal trades unions are pece-setter in wagea and conditions in Australia and any gains won by them will have repercussions throughout the economy.

Patricia Newby

AUSTRALIA'S TOP 75 COMPANIES
(measured by stock market value)

Name	Business	Mkt. Cap. $m	Recent price $	1980 High $	1980 Low $	Earnings per share cents	Div. cents
BHP	Diversified	3,815	12.95	14.5	11.35	74.1	17.0
CRA	Mining & oil	1,851	4.85	7.20	4.55	24.0	15.0
CSR	Diversified	1,441	5.70	6.33	4.45	47.8	15.0
MIM	Oil & mining	1,358	3.80	6.50	3.80	35.8	17.0
Woodside	Explta. & dev.	1,080	2.70	2.70	1.69	—	—
WMC Hldg.	Mining & oil	1,005	3.95	5.36	3.65	11.9	7.0
Comalco	Mining & oil	990	5.20	5.70	3.95	26.3	14.5
Hamersley	Mining & oil	924	3.55	4.75	2.10	6.0	—
Bougainville	Mining & oil	802	2.00	3.00	1.73	24.6	44.1
Bank NSW	Banking & fin.	664	2.84	3.55	2.79	54.5	18.0
ANZ Group	Banking & fin.	542	4.28	4.90	4.10	52.0	22.0
Santos	Mining & oil	475	9.80	9.80	5.70	10.2	7.5
North BH	Mining & oil	463	3.18	4.40	2.70	17.1	12.0
EZ Inds.	Mining & oil	446	6.26	8.50	4.90	23.8	18.0
H. Smith	Diversified	420	7.20	8.64	6.05	35.5	22.5
Dalgety	Agriculture	398	6.10	6.40	5.30	43.6	37.5
Peko	Mining & oil	390	7.00	10.40	6.54	55.9	17.5
ICI Aust.	Chemicals	389	2.10	2.33	1.81	47.7	18.0
Sthn. Pacific	Oil explta.	382	17.50	21.00	10.50	—	—
Nat. Bank Aust.	Banking & fin.	358	2.40	2.80	2.32	56.0	16.0
Cent. Pacific	Oil explta.	342	45.00	55.00	27.00	—	—
G. J. Coles	Stores	335	1.86	2.15	1.80	35.5	13.5
AGC	Banking & fin.	298	1.40	1.60	1.35	25.1	8.12
Myer Emprm.	Stores	274	1.48	1.67	1.45	20.7	10.5
APM	Paper	273	1.70	1.98	1.42	16.8	11.0
ACI	Paper	255	2.03	2.34	1.80	31.9	12.5
Ampol	Chem. & petrol	252	1.20	1.44	0.96	13.89	6.0
Utah	Mining & oil	252	4.20	5.70	3.70	29.1	16.0
Pioneer C.	Bldg. materials	239	1.78	2.50	1.70	25.8	10.0
TNT	Transport	237	2.60	2.60	1.82	31.7	11.0
Renison	Mining & oil	237	16.20	20.00	15.50	155.5	120.0
BH South	Mining & oil	223	4.20	5.72	4.04	—	—
Boral	Bldg. materials	232	2.35	2.65	2.12	34.3	12.5
CIG	Chemicals	223	2.50	3.75	2.70	28.9	14.0
Coal & Allied	Mining & oil	218	9.76	12.60	7.60	35.9	16.0
Woolworths	Stores	212	1.46	1.58	1.41	22.6	12.0
Lend Lease	Constn. & prop.	209	3.35	3.90	2.70	36.0	15.0
Herald	Media	209	2.20	2.45	2.10	31.6	17.5
Beltrust	Explta. & dev.	193	2.90	4.65	2.80	—	—
CUB	Beverages	185	1.80	2.10	1.80	25.5	13.5
CBA	Banking & fin.	174	2.60	3.12	2.55	53.9	18.0
Ashton	Explta. & dev.	173	2.35	2.53	1.38	0.3	—
Cons. Gold	Mining & oil	171	6.30	8.40	5.20	44.9	17.5
Ansett	Transport	170	2.20	2.25	2.15	30.1	10.0
White Ind.	Diversified	160	17.00	33.00	6.40	14.8	7.0
C. Norseman	Mining & oil	159	6.10	7.80	4.70	365.2	100.0
Tubemakers	Engineering	154	1.60	1.66	1.30	22.9	8.0
J. Hardie	Bldg. materials	153	3.75	3.90	3.45	57.9	17.5
AAR	Mining & oil	150	5.80	5.80	4.50	12.9	—
CBC	Banking & fin.	148	2.72	3.20	2.40	38.6	16.5
Bundaberg	Agriculture	145	3.60	3.60	2.16	49.6	30.0
Gen. Prop. Trust	Property	144	1.38	1.65	1.38	14.1	14.2
Bridge Oil	Explta. & dev.	142	2.45	3.45	2.07	—	—
Tooths	Beverages	141	2.00	2.85	1.78	23.1	12.1
Acmil	Bldg. materials	135	1.59	1.59	0.80	11.9	5.25
Brambles	Transport	134	1.95	2.35	1.85	24.2	10.5
Queensland Mines	Explta. & dev.	133	6.90	7.90	5.10	0.1	—
News Corpn.	Media	122	2.10	2.40	1.85	68.1	—
BHI	Bldg. materials	121	1.44	1.67	1.30	17.9	8.0
Amatil	Foods & groc.	121	2.60	2.25	2.09	40.1	19.0
Reckitt	Foods & groc.	131	2.45	2.60	2.13	34.5	13.5
Ampol Ex.	Mining & oil	122	2.25	2.70	1.70	13.0	7.5
Pancont.	Explta. & dev.	127	5.20	6.60	5.10	—	—
Wormald	Engineering	127	3.10	3.35	2.75	54.8	17.5
ANI	Engineering	125	2.40	2.60	1.83	37.1	11.7
Repco	Automotive	123	0.99	1.23	0.99	19.2	9.0
Assoc. Pulp	Paper	121	2.00	2.52	1.80	37.6	19.0
Mayne N.	Transport	119	1.65	2.22	1.75	29.8	10.0
Elders	Merchants	118	2.70	3.50	2.17	34.6	14.0
W'field Prop.	Property	118	1.03	1.12	1.01	—	—
Burns Philp	Merchants	116	2.50	2.80	2.15	38.4	16.0
Humes	Bldg. materials	110	1.30	1.37	1.15	14.0	7.5
Swan Brews.	Beverages	109	1.80	1.85	1.68	28.7	9.5
P. Morris	Foods & groc.	107	4.70	5.80	4.40	81.1	50.0
Oakbridge	Diversified	105	3.25	5.00	3.00	12.4	12.0

Earnings per share and Dividend are shown for the last full year. Source: Ord Minnett.

Takeover legislation in the melting pot

THE RULES FOR investment in Australian securities have seldom been less clear. Australia is in the process of establishing a new national corporate "watchdog," the National Companies and Securities Commission, to oversee the securities industry. At the same time, new national legislation is underway to replace existing state companies acts and securities industry acts. There is also new national takeover legislation due to take effect soon.

The stock exchanges have been endeavouring to anticipate the change and have already altered their rules to try to implement the as yet unpromulgated changes. The result has led to uncertainty in cases where companies involved in takeovers have attempted to comply with existing state legislation and run foul of the exchanges seeking to enforce the proposed changes.

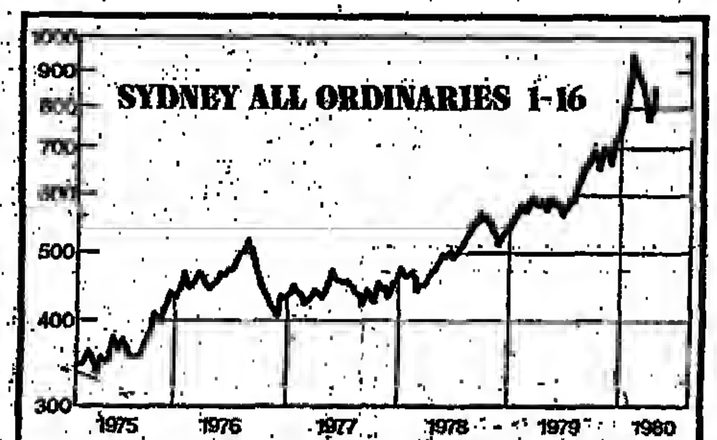
On top of this another regulatory body whose decisions affect share investment, the Foreign Investment Review Board, has beeo making rulings lately which have been difficult to follow.

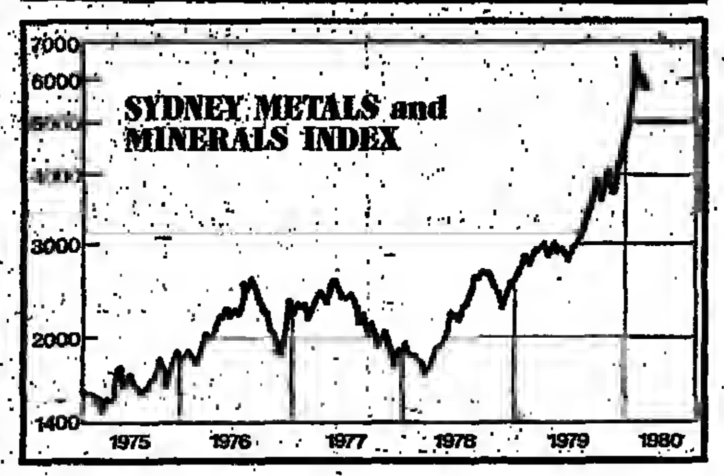
The curreot spate of legislation in the securities industry follows an extensive overhaul of the existing laws which was sparked off about two years ago by a series of abuses, including sudden raids which resulted io control of a company changing hands without any bid for the remaining minority holders. This resulted in exhaustive debate as to whether Australia should follow the legislative path and set up a body such as the Securities Exchange Commission io the U.S., or opt for the "volnntary" method of self-regulation practice in the UK.

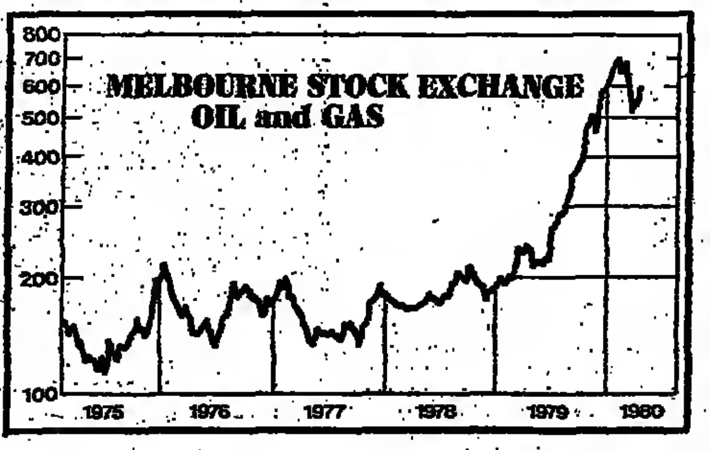
The legislative approach prevailed, because the politicians and bureaucrats were uowilling for cootrol to pass from their hands.

The major change in the proposed takeover legislation was a provisioo that once a buyer had obtained 20 per cent of a target company's capital it must make a takeover hid if it wished to buy more shares. This is aimed at preventing "creeping" takeovers wbereby control is purchased by persistent buying, on or off the stock market.

The National Takeovers Legislation was recently introduced into Federal Parliament. Ooce passed it must he adopted by all states, after which it will become law. This is unlikely to take place before the start of 1981, and may easily be delayed several months more.







In the meantime, since January 1 this year, the Stock Exchanges have been attempting to enforce the new rules. They have altered their listing requirements to cater for the change, but it is proving difficult to enforce. On recent occasions there have been glaring examples where bidders and target companies bave ignored disclosure provisions aimed at ensuring an informed market, after first obtaining legal advice.

This must be galling to the Stock Exchanges which are being goaded to perform as the wetchdog for investors. On et least two recent occasions, however, the Stock Exchanges have obtained concessions based on the spirit rather than the letter of the listing requirements. Both cases involved foreign bidders which had beeo giveo approval by be FIRB to buy a controlling shareholding but to go no further, althouhg they were willing to do so.

The Stock Exchange rules did not actually apply to the particular case but the spirit of their requiremeots clearly did. The Exchanges lohbied in Canberra to redress the anomaly whereby foreign bolders could be bought out by another foreigner at prces well above market, but local investors were prevented by FIRB interpretations from participating in the largesse. The exchanges did not exactly win convincingly, but they arrived at compromise solutions, and solntions which were based on the spirit of their requiremeots.
thwings it shrdlu o uno od aro

The fledgling NCSC is now starting to move in the same direction. Spurred on by the rush of dubious takeover practices, Federal Parliament has introduced a section in the legislation to establisb the Commission, which will give it the discretionary power to declare certain share purchases or conduct unacceptable. This would give the NCSC the ability to take actioo and leave it to those affected to take court actions rather than as at present having to go to the courts to try to block acions which it considers undesirable.

The discretionary powers to be granted the NSCS appear encompassing and will make e change to the investmeot regulatory approach. The Australian authorities are attempting to marry the legislative and voluntary approaches. It is, of course, a mixed marriage—but they sometimes work.

James Forth

Accounting standards—good but not outstanding

UK INVESTORS are likely to feel at bome with the accounts and ennual reports of Australian quoted companies, for they look very British.

Esseotially annual reports are limited to the financial statements and certain other statutory data. Like British annual reports, they tend to be shorter than those found in Continental Europe and the U.S. for the simple reason that they contain little non-financial information. Information about employment, for example, is scarce among the larger companies.

But while the annual reports of large Aunstralian quoted companies major on accounting data — and the auditors are the familiar names like Coopers and Lybrand, Deloittes, and PW — this does not mean that the quality of the information itself is necessarily as high as that found among large British or U.S. qnoted companies.

Very little will be found in the way of useful segmental data, for instance, though Broken Hill Proprietary is a ootable exception. Again, while Australia bas experienced historically high rates of inflation in recent years, the country's larger quoted companies show little response to this in their accounts. The exception, once again, is BHP. Another little oddity is the funds statement, which is not normally covered by the audit opinion.

Overall, the standard of accounting information provided by large Australian companies is average rather than spectacular. In this regard Australia ranks closer to South Africa than to the U.S., the UK or some advanced continental European countries.

As in the UK, the function of laying down accounting standards in Australia is in the hands of the accountancy bodies, which are facing many of the same problems as their counterparts in the UK. In one respect, the field of auditing standards, the Australian profession has been a few years in advance of the UK.

The past year has seen a spate of great activity in the Australian profession, with numerous mergers taking place among the larger firms. To a large extent this was brought about by events outside Australia, notably the creation of KMG as e giant new international accounting group.

The Australian profession, like its UK counterpart, traditionally has had considerable control over its own regulation. But this may now begin to change, as the new National Companies and Securities Commission begins its work.

A detailed comparison of the reporting standards of large Australian quoted companies, including a grading of each company's annual report, will be provided in a *Financial Times World Survey of 200 Major Companies Annual Reports and Accounts*, which will be published in London next month.

Michael Lafferty

Share prices after the shake-out

IT WAS a brutal shake-out. For a hectic few weeks around the turn of the year, investors around the world were rushing into Australian shares almost regardless of the price. Then came the crunch.

From its high point in February, the Sydney Metals and Minerals Index had fallen 30 per cent by early April. The Melbourne Oil and Gas Index was down nearly as sharply, and some of the speculative issues had taken a really savage pounding. Leichhardt Exploration, for instance, was over two thirds below its peak.

For some bruised investors, the parallels with the previous mining boom — which ended almost exactly ten years earlier —were too painful to contemplate.

The bull market between 1978 and the early part of 1980 was built in the first instance on strong commodity prices and accelerating profits growth. Dividends rose sharply, to the extent that the average equity yield fell only marginally during 1979—to a little under 7 per cent—even though the Sydney All-Ordinaries Index rose by roughly half during the year.

Moreover, the competiveness of Australian manufacturers in the international marketplace had started to improve sharply in 1977 thanks to a relatively low rate of inflation and to pragmatic management of the currency.

Buoyant

The rural sector had a spectacularly buoyant spell, and growth in the non-farm sector looks like accelerating from 2.8 per cent to a little over 3 per cent in 1979-80.

But as 1979 wore on, the stock market began to part company with the fundamental realities of corporate earnings, and to move up into the wide blue sky.

By the end of the year, the international funds that were pushing the price of gold bullion up to dizzy new heights were also racing into "resource stocks" wherever they could be found around the world—in places like Canada, Norway, and Australia.

As trouble mounted in Iran, and the Russians moved into Afghanistan, Australia began to look like an ever more attractive haven: politically stable, energy rich, and far away from the world's trouble spots.

The Metals and Minerals Index rose by well over 50 per cent between mid-November and early February. Turnover doubled, and doubled again. The week of January 14 to 18 this year was one of the most hectic ever seen on Australian markets, with A$228m of stock changing hands in Sydney and Melbourne and queues forming in the visitors galleries to watch the excitement.

On the last day of the month, the Sydney Metals and Minerals Index broke through to a new all time peak. The previous high point had been set on December 23, 1969 — the time when Poseidon was running.

Then, quite suddenly, it was all over. The first warning of trouble came with a sharp reversal in the gold price in the second half of January. This was followed by a wave of nervous selling and profit taking in silver, copper and the base metals. Some of the brokers' projections for mining company earnings began to look decidedly fanciful.

At the same time, interest rates began to lurch yet higher in the world's capital markets and the U.S. dollar strengthened. With the U.S. economy hovering on the brink of recession, the cost of investing in a low yielding resource asset and a depreciating currency started to look daunting.

This combination of falling commodity prices and tightening international liquidity was enough to turn what had become a very overheated stock market in its tracks.

Since then, the level of overseas support has fallen right away. Short of any new burst of international political tension, it is hard to imagine what might rekindle foreign interest in the next few months. Sir Roderick Carnegie, chairman of CRA, summed up the general mood at his group's annual meeting in Melbourne earlier this month.

"The major Western countries have introduced monetary and fiscal measures to try to reduce double digit inflation rates. This should adversely affect our results over the next twelve months or so. The growth rate of our major trading partners will slow down. This will reduce demand for commodities. Metal prices are already weakening."

Later this year, it may begin to be possible to see the other side of the world's economic valley. Meanwhile the Australian stock market remains at quite a high level by the standards of the last few years, and many foreign investors still have profits to protect.

The domestic investing institutions, for their part, are looking rather smug. Almost to a man, they claim to have been willing sellers of mining shares to trigger-happy foreigners in the final months of 1979.

But the locals may not be all that liquid—there were, after all, some very heavy rights issues in the first quarter of 1980. And they can find other homes for their money at present. They would need to be really sure of themselves to be heavy buyers of equities with interest rates standing at their current levels.

Partly because of the very big inflow of foreign capital in January, it began to look earlier this year as though the Government was in danger of losing its grip on the money supply. M3 was rising at an annual rate of roughly 13 per cent, compared with a "non-target" of about 10 per cent.

The position now appears to have been more or less restored, but in the meantime interest rates have moved smartly higher. With bonds offering 12 per cent and more compared with yields of around 7 per cent on equities, the reverse yield gap has been far wider than at any stage in the last 20 years.

That would be fine if the prospect for profits growth and dividends was rosy. But this is not the case. Consumer spending is faltering, automotive sales are under pressure, and the rural economy is not going to be able to maintain its exceptional performance.

Determination

Wage pressures are increasing, and contrary to recent trends it seems likely that earnings growth will exceed the rate of inflation in the year ahead. Given the Government's determination to keep money tight in order to contain inflation, the growth in industrial production next year could fall well behind the 5 per cent or so likely in 1979-80.

Some sectors, particularly those depending on consumer spending in the home market—could face quite tough times in the year ahead. These include food, textiles and clothing, housebuilding and — perhaps — the retailing and wholesaling groups, which have been dull for some time.

For all these reasons, the immediate outlook for share prices in Australia is cloudy. But it would be wrong to overdo the gloom. In the first place, although share prices are still a lot higher than they were a year ago, many still offer respectable values by international standards.

The banks, for example, are mostly on p/e's of under 5 and offer yields of around 6 per cent and more. The action in the bull market was heavily concentrated in the resources sector, and price movements everywhere else (both up and down) have been comparatively sedate.

For some companies, the profits outlook remains promising. Some groups are already benefiting from the build-up in resource development; examples are steel and engineering, metals, and transport.

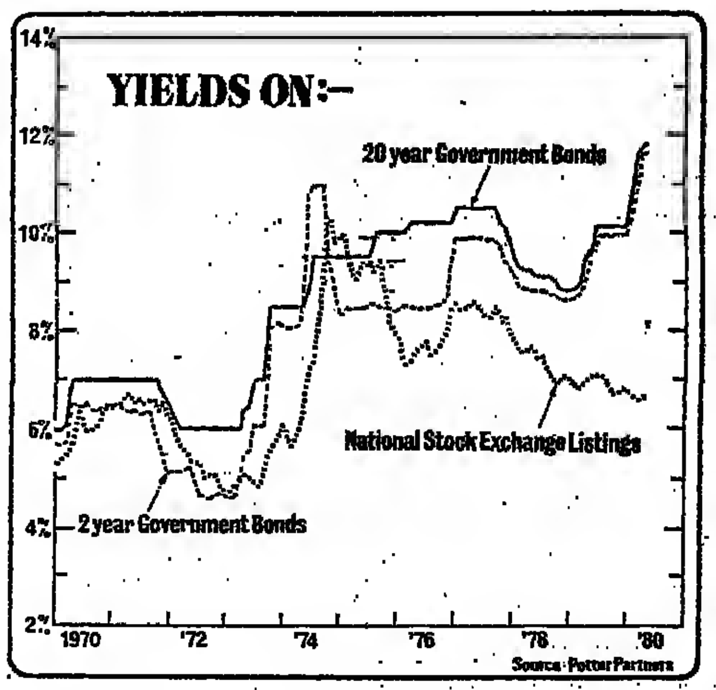
BHP's steel mills are running flat out. Other groups are continuing to make hay out of the improved competitiveness of the dollar. And oil and gas producers are still doing very nicely.

Although the economy is likely to falter in the short term no one seems to be expecting an actual downturn, and non-farm growth rates of 2 or 3 per cent seems sustainable.

But the key support for the Australian stock market lies in the longer term. Looking ahead a few years, when resource-based exports should be motoring ahead, it is possible to make quite a respectable case for the likely strength of the currency compared to, say, sterling.

As U.S. fund managers increasingly diversify their funds around the world, it would be surprising if they did not pick on Australia for at least a small part of their portfolio—for all the familiar reasons of its political stability and strength in natural resources.

It is, after all, possible to feel more hopeful about the long term outlook for Australia than it is for a lot of other countries in the world. This is the reason for hanging on to blue chip type investments in the stock market through what could be an unsettled period in the immediate future.



ANNUAL RATES OF RETURN IN INTERNATIONAL EQUITY MARKETS

Local currencies

	1974	1975	1976	1977	1978	1979
U.S.	−26	37	23	−7	6	18
Japan	−9	22	21	−3	24	9
UK	−52	151	2	43	8	11
Canada	−27	18	9	6	31	50
Germany	4	42	−4	12	3	−7
France	−29	45	−11	0	53	24
Switzerland	−32	46	3	6	−1	10
Australia	−24	57	4	7	22	49
Netherlands	−25	61	7	8	5	15

Converted into U.S. dollars

	1974	1975	1976	1977	1978	1979
U.S.	−26	37	23	−7	6	18
Japan	−16	20	26	16	53	−12
UK	−51	116	−14	67	15	21
Canada	−27	15	10	−2	21	52
Germany	17	30	7	24*	24*	−4*
France	−25	45	−20	6	72	29
Switzerland	−12	42	10	29	22	12
Australia	−32	48	−16	13	23	43
Netherlands	−16	50	17	16	21	19

* Excluding German tax credit.

Converted into sterling

	1974	1975	1976	1977	1978	1979
U.S.	−27	59	47	−13	0	9
Japan	−17	39	49	3	44	−19
UK	−52	151	2	49	8	11
Canada	−23	34	30	−13	33	40
Germany	16	51	27	11*	16*	−12*
France	−26	68	−5	−6	62	18
Switzerland	−13	63	32	15	14	8
Australia	−33	72	7	0	15	31
Netherlands	−17	75	39	4	13	10

* Excluding German tax credit.
Source: Phillips and Drew.

How the dealing system works

THE SIX Australian stock exchanges trade on a system of posts, where the securities of listed companies are displayed.

There are no intermediaries, such as the British jobber or the U.S. specialist. But occasionally a member firm may bid as principal for a large line of stock from a particular client.

Most of the time, though, brokers act throughout as agents. A member firm receives an order, and telephones it through to its operator on the trading floor. He goes to the trading post, where there are stock exchange clerks to chalk the lowest selling and highest buying quotes on the board. Buying and selling brokers bargain in open outcry until they arrive at a deal.

When the market is running, it is all rather noisy.

To make sure no one does private deals, the rule is that all declared buyers or sellers can participate equally in a transaction which has been carried out at a declared price.

The deal is complete the moment the two operators exchange details on the floor. The next day the buyer receives the contract note and is required to pay up. The seller receives his money when the signed tranfer form and security certificate have been delivered to his broker.

If delivery does not take place within two weeks of the transaction, the buyer can take proceedings to secure delivery. The Sydney Stock Exchange claims that around 75 per cent of transactions are settled within a fortnight.

Short selling is effectively banned, unless you can settle within three days.

Excitement

Four-fifths or more of trading takes place on the Sydney and Melbourne exchanges. Of the rest, the Perth and Brisbane exchanges get a fair bit of the mineral excitement. Exchange matters of national importance are co-ordinated through the Australian Associated Stock Exchanges.

Three years ago the Melbourne and Sydney exchanges agreed to allow joint access to their respective trading floors and to pool their computer efforts. Work is now well advanced on the design of a national securities industry clearing house for scrip and cash, and a central ticker could be operating in two or three years time.

In February, 1976, the Sydney Stock Exchange opened the first market for traded options outside North America.

Diamond rush in the desert

THE WINNER of the 1970s Western Australian diamond rush was Conzinc Riotinto of Australia—and by a wide margin. It leads the only consortium which has actually found diamonds in sufficient quantity to envisage a mine.

But the rush was one of the catalysts in the rise of the Australian mining share markets since 1978. It has given a fillip to small exploration companies which many thought had faded away, hopes unfulfilled and promises forgotten.

CRA is the manager of the Ashton Joint Venture. By the end of 1977 it had secured a majority control and after a further shift of shareholdings at the beginning of last year it emerged with 56.8 per cent. The other shareholders are Ashton Mining with 24.2 per cent, AO (Australia) with 4.9 per cent, Tanust Proprietary with 9.1 per cent and Northern Mining with 5.0 per cent.

The AJV first started ranging over the harsh, desert lands of the northern parts of Western Australia in 1972. Five years later it looked as if there had been a discovery, not just of odd diamonds but of genuine deposits which might bear comparison with those of southern Africa.

Certainly the stock markets thought so, as investors pushed funds not only into the AJV members, but into companies which had pegged land next to them, then into companies which were planning to peg land, and then into companies which had still vaguer plans. The markets had diamond fever.

The market fever fuelled the ground and snippets of information from the remote exploration areas fuelled the market. The Kimberleys region, which proved to be the focal point of the rush, is in fact nearer Singapore than it is Perth.

The AJV has been consistently cautious about the information it has given out, but its main hopes centre on Ellendale and Argyle. Exploration at Ellendale has moved further than at Argyle, but Argyle, because it has alluvial diamonds, will be the first into production.

Warning

"Much work remains to be done before the viability of long-term operations can be established," Sir Roderick Carnegie, the CRA chairman, warned his shareholders earlier this month. (Indeed, the AJV will spend A$17m on exploration this year.)

But then he spoke the words which confirmed three years of stock market speculation. "On the results to date, a small scale short term operation, based on the alluvial upper terraces at Argyle, could be commenced at an earlier date. This could put us into the diamond business rather earlier than I thought possible at this time last year."

So the AJV was definitely getting under way. A pilot plant has been working at Ellendale for over a year and another one at Argyle should go in this year. It is not uncommon, if the pilot processing works, for the plant to be scaled up to full operation.

But the point about the Argyle alluvial diamonds is that they are more readily collected than those from deep underground. The Argyle alluvials run for about 32 km from a kimberlite pipe.

Kimberlite pipes are usually the hosts of diamonds. The word pipe is rather a misnomer—they come in all shapes, but generally a cross section seen from underground would look like a tulip. So in any diamond exploration, first find the kimberlite pipe.

That was what the AJV did, first at Ellendale, where it found 45 of them. Of these 45 two look particularly good prospects and they have been the subject of the most intensive drilling and sampling.

What has been found so far is a good quantity of small diamonds, nothing to rival the Kohinoor or the Premier Rose, but encouraging for the AJV because, as CRA noted, small parcels of diamonds have been assessed "as being approximately 60 per cent suitable for gem purposes."

And it is the gem diamonds that make the big profits for a mine, not the lower grade industrial stones.

At Argyle, where there is one pipe which seems to be the origin of the alluvial stones, the amount of diamonds found, relatively, has been greater than at Ellendale. But the quality has not been so high.

In sum, though, it looks as if over the longer term there will be at least one diamond mining operation — the first major role in Australia. Significantly, the AJV has already started technical talks with De Beers Consolidated Mines, the dominant producer whose Central Selling Organisation funnels roughly 80 per cent of the world's rough gem stones on to the international market.

Paul Cheeseright

Indirect route for funds

OVERSEAS INVESTORS traditionally enjoy the taste of Australian abares but generally shy away from large helpings. A wide range of UK and offshore based international, overseas and Far Eastern funda have significant holdings in the region hut few specialise exclusively in this historically volatile market.

Take unit trusts, for example. Only three of the 410 UK authorised funds, M and G Australasian, Henderson Australia and Barclays Unicorn Australia, give investors a full exposure to Australia. But a bost of others have weightings towarda the area of anything between five and 65 per cent.

Far Eastern funds fall into this category, although many tend to concentrate on Japan and Hong Kong.

The March Budget, which complately relieved unit trusts and investment trusts of capital gains tax, has made them more attractive vehicles for UK investors.

But it did not alter the position of unit trusts which invest in overseas ahares. They still bave to pay corporation tax at 52 per cent on unfranked income (that is, tha incoma from their overseas investments). Individuals who invest directly pay tax at their own rate (30 per cent for those on basic rate).

Future

In practice, overseas unit trusts get round the problem by sacrificing yield for capital growth.

The £10m M and G Australasian fund is typical in offering a yield of under 2 per cent.

The trust is also typical in being invested mainly in energy and natural resources stocks, which account for aome 80 per cent of the porfolio. As their investment manager says: "If people want stores or industrial companies they can buy them in other countries. Energy is where the future lies for Australia."

Unicorn Australia, another "pure" Australian authorised unit trust, currently has around £14.5m worth of assets, most of which are weighted towards the energy sector. About 20 per cent, however, is invested in the industrial sector spread across contracting, mechanical engineering, metal forming and property companies.

Much unit trust literature these days stresses that investors should look to the long term for the real rewards. But, this is not always a wise policy says Mrs. Cemile Eyi, manager of Unicorn Australia.

"The Australian market is certainly not one to buy into and forget abont. You can keep your certificates in the safe for a lifetime and probably make a profit, hut the real money ia made by playing the market."

The point is illustrated by the latest figures and the magazine Planned Savings, which show that both the M and G and Barclays funds hava good recent records.

Reinvesting net income M and G Australasian increased 59.8 per cent in the year to the end of April, and 99.5 per cent over three years while Unicorn Australia is np 40.3 per cent over the last year and 63.8 per cent over three years.

In neither case, however, are the figures mncb better over five and seven year terms.

The other "pure" UK authorised Australian unit trust is Henderson Australian, which is much smaller at £1.9m.

Cheiftain'a International Trust is one of tha non-specialist overseas funds which can invest anywbere. Earlier this year, however, managing director Mr. Peter Potts decided to shift 65 per cent of the portfolio into Australia, although this bas recently been redneed to 50 per cent.

At stockbroker Grieveson Grant, wbose £13m Grieveson Endeavour fund is invested in the Pacific area, investment manager Mr. Brian Knox is a little more cautious.

"Very roughly our percentages are 50 per cent in Japan, 25 per cent in Australia and 25 per cent elsewhere," he said.

"If, however, more than one-third of our portfolio was exposed to Australia, I would start to feel uncomfortable."

Like most of its rivals, Britannia Trust Management has no Australian fund, hnt Mr. Stuart Goldsmith, the group's investment director, feels that the trend towards more specialisation may lead to more specialist vehicles.

"The problem with Australia is that specialist funds attract interest for a year or so and then there are long quiet periods. On the other hand investors seem to be getting more sophisticated and many of them want a way in to the Hong Kong, Japanese and Australian markets in their own right."

Investment trusts are traditionally big overseas investors: roughly 30 per cent of their assets are currently invested outside the UK.

Australian and International, rnn by merchant bankers Schroder Wagg, has about 50 per cent of its assets in the Australian market.

Drayton Far Eastern, the £6.5m trust run by Drayton Montagu Portfolio Management, currently has about 35 per cent of its assets in energy-related Australian stocks. But whereas the aim of the Australian and International Trust is "to maintain at least 50 per cent of its assets overseas, the majority in Australia," the Drayton Far Eastern portfolio could well change.

"Two years ago we were very highly exposed in Japan," explains Mr. Jonathan Compton, an investment manager at Drayton Montagu.

"But in February a year ago we switched beavily into Australia, which is the way things will probably remain for at least the next six months. We are, however, optimistic abont Japan again on a year to 18 months' view."

The Berry Trust, Northern Securities, Cardinal Investment Trust and General Investors are among other trusts with an exposure to Australia.

Investment trust share prices, of course, generally stand on fairly large discounts to the underlying asset value of their portfolios—fine if the discounts narrow, but potentially painful if the trust goes out of favour. Investment trusts are also able to borrow, emphasising the gains in a rising market and exaggerating the losses when prices fall.

As a reault of exchange controls, many investment management groups have a wide range of international offshore funds, including some invested purely in Australia.

Barclays Unicorn, for example, has an Australia External and an Australia Minerals fund based on the Isle of Man, both with assets of around £3m. GT has an Australia fund, and institutional investors can go for M and G's Australian and General Exempt fund or Drayton Montagu's London Australia unit trust.

The latter was set up as a vehicle for diversifying pension fund assets into commodities.

Exceptions

Offshore funds tend to have more expensive annual management charges, usually at least 1 per cent, although exempt trusts, which generally have high minimum investments, are exceptions to this rule. The income of offshore funds is not, of course, subject to corporation tax hut on the other hand donble taxation agreements are not as favourable for offshore funds.

Interest in Australia is about as patchy in the U.S. as it is in the UK.

According to Mr. Michael Lipper, of Lipper Analytical Distributors in New York, only a handful of funds have a "direct play" in the Australian market.

Scudder International has 20 per cent of its assets in Austraila, while Niagara Share Corporation, a closed ended company listed on the New York Stock Exchange, and Putman International Equities are another two with some limited exposure.

"U.S. funds tend to be provincial," saya Mr. Lipper. "They take the attitude with some justification that the way to go overseas is through American multinationals."

The potential rewards of Australian stocks have not been ignored by the giant Dutch investment concern Robeco. In the last six months the men at the group's Rotterdam headquarters have been steadily buying Australian shares so that these now account for about 5 per cent of the portfolio—historically a very high level.

Robeco's sister fund Rolinco, which is more aggressive and capital growth orientated, now has more than 10 per cent in Australia, mainly in mining and oil exploration shares.

One important point for UK investors to remember is the exchange rata risk. In the year to the beginning of April the pound appreciated from A$1.88 to A$2, wiping ont some of the gains made over that period by good share price performance.

Tim Dickson

Buying out the farm

BUOYANT WORLD prices for agricultural commodities and rising land prices in Britain seem to be factors behind increasing UK interest in Australian rural properties.

Banks, real estate agents and the British High Commission have reported a highar rate of inquiries from the UK about rural property in Australia in the past two years.

There are no separate statistics on rural land purchased by investors from abroad. However, the Foreign Investment Review Board, which muat approve all purchases by foreigners of more than A$250,000 (£122,000) says that of the total A$225m approved for all land purchase by overseas investors in 1979, A$110m was from the UK.

Investment from Britain falls into several categorias: the farmer who actually wants to farm the land and who is probably looking for a mixed sheep/wheat property in a reasonable rainfall area, the absentee farmer who wants a property for investment and will leave it to someone else to manage, and institutional investment, which is nsually in tha giant sheep or cattle stations in the north.

Mr. Richard Shumack, auctioneer for Dalgety-Winchcombe, a subsidiary of Dalgety Australia, one of the country's biggest wool brokers and rural land agents, says that in a normal year an average wheat/sheep or mixed farm in a reasonable rainfall area in eastern or south-western Australia should return 10 per cent on capital invested.

Mr. Bruce Coomber, senior economist with the New South Wales Department of Agriculture'a division of marketing and economics says an 1,8000-2,000 acre wheat-sheep property in a reasonable area of New South Wales would cost about A$300,000 and a sensible farmer should bave working capital of at least A$20,000.

Depending on what he paid himself and his family, the return on capital might be somewhere around 8 per cent, much lower than could be achieved in other investments.

High risks

Many farmers complain that they "pay for the life" and that a 7 per cent return on capital is about average. Against that, Mr. Coomber estimates that sheep-wheat properties bave risen in valua in New South Wales by 43 per cent in the past three years.

Mr. Brian Shorney, agricultural adviser at the Britisb High Commission, says that although good incomes can be achieved in Australian farming, the risks are relatively high. There is mnch more variation in climate than farmers experience in Europe, and commodities prices can fluctuate quite violently in the abort term.

He believes that A$250,000 is the minimum necessary to establish farming in this country and bava a reasonable prospect of surviving setbacks, paying off debt and achieving a return to capital invested.

British institutional investment in the large cattle and sheep properties of the north and centre is also increasing, according to land agents. But the drought which has hit large parts of eastern Australia has meant that fewer properties are coming on to the market as farmers are reluctant to sell when their properties are run down.

There does not appear to be mncb concern about foreigners buying land in Australia. But tax is a more sensitive issue. Superannuation funds do not haveto pay Australian tax if they are exempt from tax in tha UK and the treasurer, Mr. John Howard, was recently asked in Parliament if the National Coal Board staff superannuation scheme and the mineworkers pension scheme of Britain were paying tax on grazing property owned in Australia.

If they were not, the questioner asked, what use to Australia was this kind of investment? Mr. Howard said be would investigate and duly reported that the pension funds would have been exempt from tax, but in fact had formed a company in Australia to handle their interests and were thus subject to the usual company tax.

Patricia Newby

Revival hopes for commercial property

COMMERCIAL PROPERTY returns are increasing in Australian cities, notably in Sydney and to a lesser extent in Melbourne. But property consultants and investors are treating the revival cautiously.

Each capital city is still faced with an over-supply of new office space in the central business district which is likely to take a few years to absorb. Capital costs are high and rents relatively low, to the extent that a starting yield of about 5.5 per cent to 6 per cent is generally the realistic expectation from a new office development. This is hardly likely to generate a rush of fresh developments.

Many tenants will look for upgraded or refurbished office space at lower rents rather than occupy new space at high rentals. The development which has occurred over the past decade has already been substantial, probably more than is commonly realised, and this may lead to a reduced growth in office development.

About 5.1m square metres (55m square feet) of office space was redeveloped in the business districts of Australian capital cities in the 10 years between 1969 and 1978, representing an investment of around A$5bn. Put another way, in Melbourne alone 1.2m square metres of new space has been produced in the same decade, which is equivalent to about 12 square metres per head of the office workforce.

About 40 per cent of the total office space available in Melbourne has been redeveloped in the past 10 years, and it is probable that this pattern is similar in other capital cities.

There were a number of contributing factors to the boom in office development in the early '70s. They included lack of extensive new development for several decades, a buoyant economy (the mining boom was in full swing) and growing population leading to increased demand for better-quality accommodation, availability of funds from large financial institutions, and reasonable building costs enabling an acceptable yield to investors.

It does not necessarily follow that the same factors will prevail in the future. The view of the Australian Mutual Provident Society, Australia's largest life office and a substantial investor in property, is that a significant rise in net office rents will occur "rather later" than many are predicting.

But rent for good quality office space in Sydney are now rising and there is evidence that they are also firming in Melbourne. The AMP expects that rent reviews in the better business offices in Sydney in 1980 will produce increases of at least 25 per cent to 30 per cent over existing rentals.

A group of leading real estate agents claims that Sydney is a major target of overseas investment in commercial, industrial and residential areas, which is pushing rents up strongly towards the $A18 a sq ft generally regarded as the average required for new development.

Well supplied

Retailing centres have provided a profitable avenue for property investment in recent years, but the capital cities are now well supplied and opportunities for further retail developments are likely to be more limited than in the past.

While new shopping centres have been increasing sales in real dollar terms, rents have also increased beyond the rate of inflation. Some observers suggest that future retail rental growth is likely to be more in line with the inflation rate.

Until recently, investors have been reluctant to invest in hotels in Australia, both in resorts and in the main cities. To date, most resort hotels have been owned as part of a vertically integrated operation, often by investors in the travel or transport industry.

Most Australian capitals lack adequate quality hotel accommodation, particularly Sydney and Melbourne, but the low initial returns, the difficulty of obtaining guaranteed rents and the high cost of refurbishing have deterred investors.

Plans have, however, been announced for several new hotels in some of the capital cities, indicating that the mood of investors may be changing.

The investment outlook for property in Australia is improving, but it is still far short of returning to the halcyon days of the early 1970s.

James Forth

Woodside and the North West Shelf

EVEN BY Australian standards, the story of Woodside Petroleum and the North West Shelf project makes romantic reading.

Just over 20 years ago, Woodside was a tinpot exploration company with £94 in the bank and a share price of 4½d. Today, it is project leader on one of the world's biggest natural resource developments.

Together with its fellow joint venturers it is about to give final approval to a programme which will establish:

- An offshore platform (said to be the biggest in the world) which will start supplying gas to Western Australia in September 1984.
- A second platform, due to be in place by 1986, which will lift total gas output to the level required to sustain exports of liquefied natural gas (LNG).
- A third production platform scheduled to arrive during the early 1990s.
- A 135-km pipeline carrying gas and liquids from the field to the processing facilities on shore.
- A processing plant which will produce 375m cubic feet of gas a day for Western Australia; 1.4m tonnes of condensate a year; 630,000 tonnes of liquefied petroleum gas (LPG) a year; and 6m tonnes of LNG a year.

On top of all this, the venturers will be building accomodation, storage, and shipping facilities in one of the most remote parts of Australia.

Up to the end of 1979, the development had cost A$341m, of which Woodside shareholders had contributed half. But the big spending is only just beginning. Woodside's share of the funding before the project becomes self-financing is expected to approach A$2.5bn.

For perspective, its net assets last December were just A$200m, and its internal cash flow in 1979 was A$1m.

Although the original Woodside shareholders have inevitably had their interest heavily diluted by a series of share issues (the latest big rights offer has just been completed) it is still a remarkable achievement for such a small group to have hung on to such a large share of so big a project.

There have been two key elements in its success.

First, it joined powerful and experienced partners at an early stage: a year after it acquired exploration rights on the shelf—for £100—it tied up with Shell and Burmah, and other international majors have since become involved too.

Secondly, it has been very skilful in exploiting the whims of the stock market to raise fresh capital. Its chairman, Mr. Geoffrey Donaldson—who as a stockbroker underwrote the company's first issue—has said:

"If we had been unable to pick the mood of the public and the availability of capital, there would be no Woodside today. The public would come in only if the market was running and they could see the chance of a profit.

"I am convinced that Australians do not understand risk capital; they are short-term gamblers. When they bet, they want a quick result."

The first major discovery was made in 1971, and a year later the venturers were hopeful that "gas production from the area could be a matter of five years."

But they seriously underestimated the commercial and political problems which they were to face. One hurdle was the attitude of the Whitlam Government to gas prices and exports; another was the financial difficulties of Burmah Oil.

As recently as last autumn, after eight Japanese utilities had given letters of intent covering the entire LNG output, the venturers bowed to Government pressure to extract LPG from the gas before export and make it available on the home market.

This added to the cost of the programme, and meant that original plans for producing the LNG early in 1985 had to be put back by more than a year.

But at the same time, events in the Middle East were transforming the economics of the project. As one banker put it caustically: "If I were those guys at Woodside, I'd be on my knees three times a day giving thanks to Tehran."

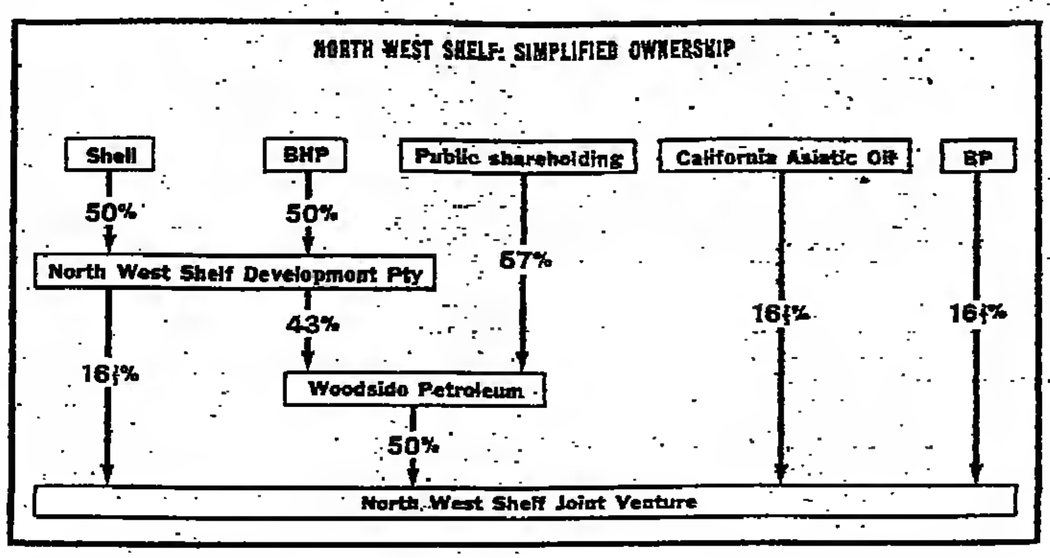
At this moment, the complex arrangements covering finance, marketing and construction are being drawn together into the final development plan. On the strength of the domestic gas sales agreement, merchant bankers Morgan Grenfell are putting together in London a very substantial syndicated bank loan to finance Woodside's share of the first phase of construction.

And the jacket for the first platform has already been ordered at a cost of about A$60m, from Nippon Kokan KK of Japan. It is scheduled to be towed in during the period between the typhoon and cyclone seasons in 1982.

A project of the kind that must be every mineral explorers' dream is finally becoming a reality. But according to Mr. Donaldson:

"There will be no more Woodsides. A company will face the prospect of spending A$5m to get to the stage of drilling a well, and then spending A$12m on the well.

"You will be looking at a cost of A$20m just to get started, and the Australian public is not going to put up that sort of money."



Ten years after Poseidon

THIS TIME, it's going to be different.

Memories are still fresh of the mining boom ten years ago, when the Poseidon bubble popped in the faces of investors around the world. Almost before you raise the subject, Australian stockbrokers are ready to fire off a string of contrasts between the current excitement in the resources sector and the speculative binge in 1969.

Today's developments are less heavily reliant on the continued industrial growth of Japan—not always reliable, as the past few years have shown.

Instead of being geared to unsustainable rises in demand, they are directed more towards replacing an existing commodity—oil—which has become an expensive and unreliable source of energy.

The same applies to the enormous new investment in aluminium smelters. Around a third of Japan's smelting capacity has become uneconomic.

More than anything else, Australia is filling a gap in the international balance of supply and demand.

The current upturn is more widely based, both in terms of ore, coking coal, nickel and aluminium remain very important. To this list can now be added oil and gas, steaming coal, uranium, oil shale, the enormous copper/uranium orebody at Roxby Downs.

Moreover a number of new and rapidly growing markets have been opened in recent years.

The Republic of Korea now takes well over 3 per cent of Australia's exports, compared with under 1 per cent as recently as 1972-73. The Middle East's share is up from 1.6 to 4.1 per cent over the same period.

But having risen at a great pace through the late 1960's, its share has now stabilised and other countries are providing the growth.

More downstream processing is involved in today's projects than was the case a decade ago. This means there are better prospects for adding value and creating wealth.

The companies involved in the developments are generally much stronger in financial terms, and their asset base is more diversified.

Companies are more conscious of the risks involved in big projects, and are prepared to hedge their bets by giving away part of the equity.

These are just some of the arguments being produced to show that today's upsurge in development is a lot more soundly based than anything that happened in the late 1960s.

They look quite convincing. But Australia has a 130-year history of mining booms and busts. So far the flaws in the bulls' logic have only become obvious with hindsight. The resources sector has been presented with enormous opportunities, but the rewards will not follow automatically.

The biggest hole in the world

ACCORDING TO Mr. Malcolm Fraser, the Prime Minister: "It is difficult to overstate the importance of this project for the development of the State of Queensland and for Australia as a whole." At full production levels, he said, the Rundle oil shale project was expected to churn out 200,000 barrels of oil a day—equivalent to about 30 per cent of Australia's present requirements.

During the construction period, it could employ 6,000 to 7,000 people for several years. And the total cost of developing the project has been put at A$10bn (£4.95bn) or even more.

As the Prime Minister enthused, such a project could indeed represent a very substantial addition to Australia's

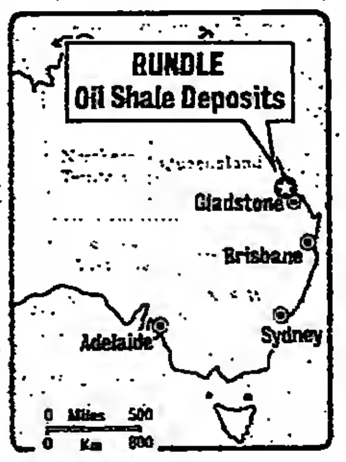
But not everyone in the Australian financial community is quite so impressed. The developments as it is currently conceived is of truly daunting dimensions. Although its promoters have been consistently optimistic about how long it might take to start production, outsiders tend to be much less confident. Some say Rundle has no chance of reaching fruition for at least a decade.

At its ultimate production level, it is expected that about 165m tonnes of oil shale and 195m tonnes of waste shale and overburden will be mined each year. This would make Rundle easily the largest mine in Australia, and one of the largest anywhere. It could eventually turn into the biggest man-made hole in the world, displacing about 10bn tonnes of material.

For this to be possible, Rundle will require access to substantial supplies of electricity in an area which already has made heavy new commitments to service the aluminium smelting industry. It will need to succeed with a relatively untried techoology on a scale that has never been attempted before.

It will have to overcome enormous problems over the treatment of effluent, and the supply of water. Above all, it will have to find an acceptable way of handling all that waste material—which will take up a greater space in its storage dumps than it does while it is still in the ground.

However, the arguments are by no means all one-sided. The configuration of the deposit makes it especially suitable for economical open-cut mining. It is handily placed near to a deep-water port, and to supplies of labour. And the oil it produces is said to have relatively few impurities, and a high proportion of light hydrocarbon fractions.



Appetite

The impetus behind the development has come from two small exploration companies—Southern Pacific Petroleum and Central Pacific Minerals—and from one big bank: Morgan Stanley. The Rundle twins, as they are known, have large cross shareholdings in each other, tiny balance sheets, and a great appetite for cash. Their combined net worth at the end of 1978 was less than A$10m in that year they had between them nine share placings and two rights issues. But with the help of Morgan Stanley, who are acting as investment bankers to the project, they have been able to capitalise mightily on their rights to the Rundle lease.

During 1979 and the early part of 1980, they held talks with a number of potential joint venture partners. BP, CRA, and BHP joined together in a mighty consortium to submit a development tender. But the candidate for the final negotiations, announced in glowing terms by the Prime Minister, turned out to be Esso.

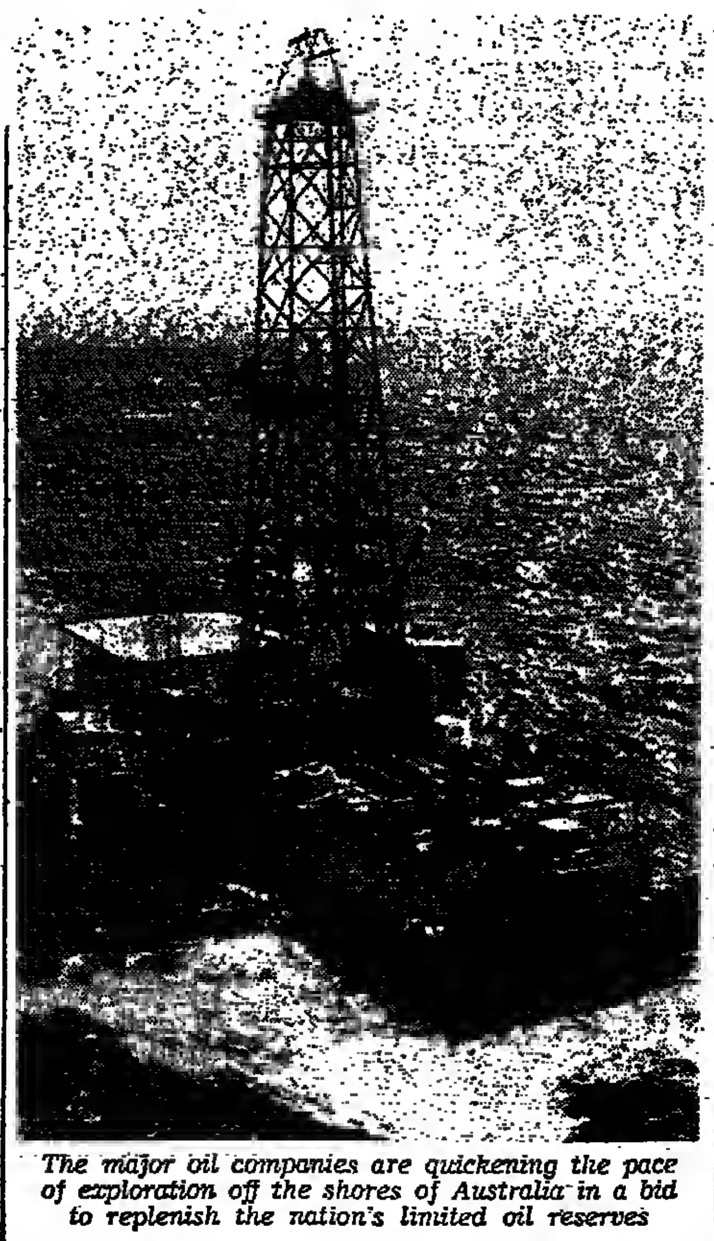
The talks were held in secret, and Esso says that they were far from being just a financial auction. Its vast experience in complicated projects around the world counted heavily in its favour, Esso claims. But its defeated rivals suggest, with at least a whiff of sour grapes, that Esso was prepared to commit itself further down the technology line than they were, and also to offer a more generous cut in the action to the Rundle twins.

Esso's proposals provide for a maximum interest of 50 per cent in the project, and undoubtedly one of the biggest financial problems that lies ahead will be about how to keep the twins in with 50 per cent of such an enormous development.

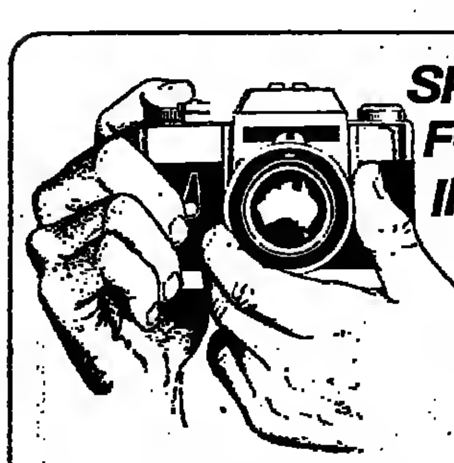
At least a year ago, the twins were convinced that the shale was capable of commercial development at the then market prices. Esso, more cautiously, says that it is close to being economic at today's prices. It still has to finalise a joint venture agreement with the two smaller companies, before going ahead with an investment of several hundred million dollars in a pilot plant that could take at least three years to construct. Only when that proves viable will the major development take place.

If nothing else, Esso has now got its foot in the door of a very large potential source of energy. It already has substantial cash flows in Australia from its investment in the Bass Strait, and it also has every interest in reinvesting at least some of these proceeds in new Australian developments.

Sometime in the next few months, we may learn just how far it is prepared to commit itself.



The major oil companies are quickening the pace of exploration off the shores of Australia in a bid to replenish the nation's limited oil reserves



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Turning point for America's railways

BY IAN HARGREAVES IN NEW YORK

THE U.S. is, arguably, the last major industrial country to seek a solution for the problems of its railway industry in the private sector.

Under the Carter administration, commitment to this approach has hardened, producing, among other things one of the most spectacular merger waves in recent U.S. industry—a wave which if consummated will lead to the domination of the country's more than 300,000 miles of railway track by four or five companies.

The latest merger proposal, announced last week, is a $1bn hook-up between Santa Fe Industries of Chicago and Southern Pacific of California, two companies which apart from being major railroaders, have significant non-rail operations, ranging from oil and coal (the traditional diversification of railway companies) to electronics and insurance.

Although there are numerous hurdles to overcome before this reshaping of the American rail network takes place, there is growing optimism in the industry that the image of bad management and excessive government intervention of the past may be passing at a time when the economic pendulum is at last starting to swing in favour of rail. Because of the greater distances and tonnages available to it the American railways, unlike their West European counterparts, are at last looking as if they can survive as vigorous members of the U.S. private sector.

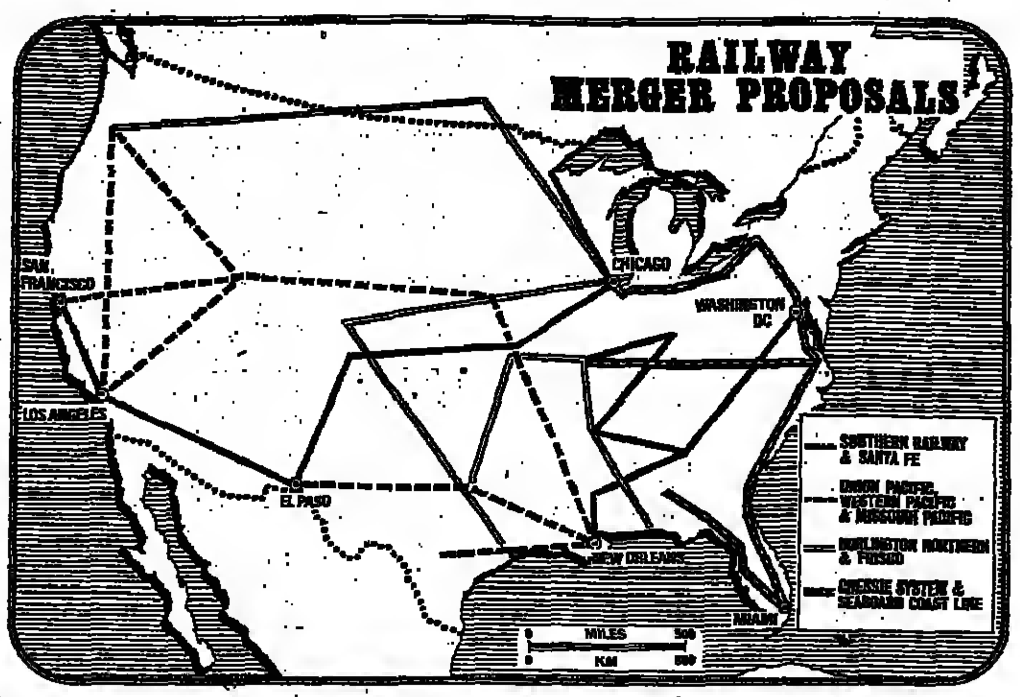
The shadow of past errors, indeed past catastrophes, however, still looms long over the industry. This can best be symbolised by the story of the Rock Island line, immortalised in a "might good road" in a cadbelly blues song, but today in the last stages of bankruptcy and liquidation.

In 1964 Rock Island had its chance of a merger, with Union Pacific, now one of the strongest companies in the industry, but it took the Interstate Commerce Commission ten years to vet the deal, by which time Union Pacific had lost interest in the Rock's crumbling assets and its place in an overcrowded Midwest rail system (22 railways serve Chicago).

If the Rock Island stood for the rail system's creeping arthritis, the Penn Central was its coronary. The collapse in 1970 of the country's largest rail company — essential infrastructure for the industrial north-east — sent shock waves throughout the financial community. It was six years before the Government cleaned up that mess by creating Conrail, which is now in effect a Government-owned company, and two more years before President Jimmy Carter's Administration came up with a blueprint for the industry's future: "A prospectus for change in the freight rail-road industry." The industry celebrated by reporting for the previous year its lowest aggregate profits since 1932.

From that blueprint's basic decision not to nationalise, a decision which did not cover the relatively insignificant passenger railway network, another decision flowed. It was not enough to decree against nationalisation, because public ownership would occur by stealth if the rail industry could not find a way of improving its efficiency and profitability. The fruit of that conclusion was President Carter's commitment to "deregulating" the railway industry, just as he has already partly deregulated air transport and proposes to deregulate road haulage. In other words, the Government would, as far as possible, allow the railway industry the kind of competitive conditions which applied in any other industry.

Such a radical approach inevitably stumbled into opposition from all sides, from congressmen who thought it would result in a loss of service for their constituencies, from the rail unions fearful about jobs, from public utilities worried that, as captive customers of rail for coal supplies they would be overcharged, and from some rail companies which felt they would be wiped out by bigger, more aggressive companies.



Mr. John Sullivan, head of the Federal Railroad Administration, admits now that the Administration "might have tried to cover the field too broadly." But he is not downhearted about progress, as the House of Representatives and the Senate are both considering more limited deregulation bills which would increase pricing flexibility. They would give railway companies more freedom to offer special "contract rates" to big customers and to enter joint investment projects with them. Crucially, it would make it easier for companies to merge and to close unwanted lines.

As 60 per cent of the traffic is carried on 20 per cent of the network, Mr. Sullivan concludes that around 30 per cent of the 200,000-mile system could be removed without economic harm.

It is for this reason that the Administration's willingness to see the Rock Island liquidated is important, especially as the Government is taking an equally tough line on other struggling lines, notably the Milwaukee Road which is also being suffocated by the Midwest's excess of railways.

The Administration's policy is also being greatly assisted by a transformed Interstate Commerce Commission, under Mr. Darius Gaskins, a Carter appointee who is schooled in the deregulation of airlines. He is determined to apply the maximum possible pressure from within to break the rigours of tha rail regulatory system, which has led to bureaucratic involvement in everything from price levels to ensuring an adeqnate supply of freight cars at the appropriate harvest season in the agricultural States.

The sense of a turning point, however, is not merely in the political air. Even without deregulation, apart from Mr. Gaskins's important backdoor contributions, the railway companies have just completed their most profitable year since 1966, with record profits at all the major privately-owned firms.

This is also the reason why railway stocks became such hot property last year, with tha Standard and Poors index of 10 rail stocks increased by 27.5 per cent, compared with an 8.6 per cent rise in the index of 400 industrial stocks. Rail stocks have continued to do well this year.

The main factor behind this stock market excitement was undoubtedly not the railways themselves. But the fact that the biggest companies, Union Pacific, Burlington Northern and Santa Fe Industries, all have extensive natural resources interests whose value the Organisation of Petroleum Exporting Countries doubled last year.

But some pure railway companies, such as the well-regarded Southern Railway, also outperformed the stock market average and came in with record profits. Overall, the rail industry net operating profits leapt last year to $794m, up from $446m in 1978. The companies were helped by a 5.2 per cent increase in the volume of rail freight, with coal cargoes enjoying a particular boom (there was a miners' strike in 1978) and continuing bumper harvests.

The rather odd result is that as the deregulation process edges towards a denouement, the railway industry is sending out conflicting signals, with record profits and pleas about an underlying crisis of profitability.

Everything that the "prospectus for change" said still goes. The industry between 1978 and 1985 will fall short by around $15bn of the $44bn it needs to keep its assets in reasonable shape. Nor does it change the fact thta for the past 13 years, the industry's rate of return on net investment has not reached the 3 per cent mark, although these figures include the sorry financial results of Conrail and Amtrak.

In some respects too, the industry faces serious problems this year. The biggest has been soaring interest rates, which although moderating now come as a savage blow to an industry acustomed in the not too distant past to the luxury of raising 100-year mortgage bonds. Ultimately, too, the economic recession will take its toll, although so far this year, strong coal and grain traffic has kept the industry's profits booming. In the first quarter, profits of the 12 largest companies were 48 per cent higher than the first quarter of 1979. But profitability remains closely tied to volume because the industry has little flexibility in reducing fixed costs and less freedom than most American industry to cut labour costs because it is highly unionised.

The encouraging part is that the trend in the 1960s from coal to oil in the nations fuel mix, which harmed the railways' basic business (over 20 per cent of traffic is still coal), will reverse itself in the 1980s. At the same time, deregulation will help to hold down costs, and enable the railways to develop market-sensitive rates to compete with road haulers (they have already started to do this with some success in the fruit and fresh produce business, where the Interstate Commerce Commission has lifted rate-making rules). Moreover, because rail is still the biggest freight mover in the U.S., with 36.6 per cent of the market in 1979, compared with 24 per cent for road transport, the industry has a solid base to expand from if it can improve its efficiency and its reliability.

The key is likely to be the railways' ability to work together.

This last point is crucial at a time when reregulation is also offering the road hauliers more freedom to compete, to cut prices and to vary their geographical coverage. Despite big increases in wagon sizes (the main productivity boost for rail in the last decade), the industry still runs the average freight car 80 miles unloaded for every 100 loaded miles, compared with 26 unloaded miles for the road hauliers.

Much can be achieved by technology, notably by using computerised wagon control systems, like the admired equipment at Missouri Pacific or, incidentaly, British Rail. The key, however, is likely to be the railways' ability to work with each other, as two-thirds of U.S. rail freight movements involve more than one railway company.

Eliminating the traffic transfer problem would probably be the single greatest appeal of nationalisation, but with that route closed ways have to be found of pooling resources and integrating management and control systems.

The obvious answer has been mergers, of which the Santa Fe-Southern Pacific proposal is but the latest. The others are links between Union Pacific, Western Pacific and Missouri Pacific, Burlington Northern and Frisco, and the Chessie with the Seaboard Coast Lines. If consummated this would make the Burlington group the largest in the U.S. There is no doubt that other railways are angling for possible partners.

Everyone agrees, however, that mergers will not be a panacea—the Federal Railroad Administration has shown that little if any improvement in cost-efficiency resulted from two mergers it studied.

The more basic requirement is for railway management to emerge from the shelter of monopoly conditions which made it possible to run a railway simply by concentrating on making the system work, without thinking too much about selling rail services, or relating costs in providing service to a customer with the price charged. As in Europe, that is a lesson which the U.S. railways have so far mastered only in patches.

Letters to the Editor

Rewards for capability

From Mr. R. Blum

Sir,—The comments in Jonathan Carr's article on EEC Commission salaries in last Friday's issue overlook two important points.

The first is the arbitrary equation of Commission and national civil service ranks. An EEC director-general is the highest official in the department. Why, therefore, equate him with a deputy under-secretary in a UK Ministry rather than a permanent secretary?

Secondly, in most professions, having to do a great deal of one's work in one or more foreign languages in addition to one's own carries substantial financial rewards. Why is the fact that most senior officials work in at least three languages, and that even secretaries must be able to work in two, ignored in comparing EEC Commission salaries with those in national administrations?

Rupert Blum.
9, Boulevard St. Michel, 1040 Brussels, Belgium.

High Brussels salaries

From the Chairman, Tecmedia.

Sir,—A comment on your article "High Brussels salaries" (May 16).

Conventional wisdom would suggest that the purpose and effect of the very high salaries paid to staff in all the big international agencies would be to attract the world's most gifted experts and managers. My observation is that the reverse is often true. The very high salaries are often merely a means of keeping second-grade people in jobs which they hate. The dross tends to rise to the top, rather than the cream. Large international organisations, manned at the top by expatriates, dogged by language barriers, enormously top heavy and cumbersome, are almost impossible to manage.

It would be easy to be cynical about the joys of internationalism viewed from the inside of these monolithic structures. It is however less easy to see a satisfactory substitute. The world since 1945 is, on balance, a far better place since the formation of the supranational institutions. But serious consideration needs to be given to the quality of life engendered in such institutional frameworks. Grotesquely high salaries are the palliative not the cure.

John Barker,
Tecmedia, Granby Street, Loughborough.

Basic steel production

From Mr. M. Graham

Sir,—New York City's financial problems dwarf those of British Steel. Only the tremendous efforts of one of New York's outstanding investment bankers has saved the city from bankruptcy. I am referring to Mr. Felix Rohatyn, seconded to the city by Lazard Frères for $1 per year. British Steel's real need is for someone similar who will put something into the business rather than take it out.

The question of compensation apart, Mr. McGregor's plans to reduce British Steel's output to the level of 1914 (equivalent to 5 per cent of today's market, less than that of India) also needs examination. If, as he declares, it is impossible to make basic steel production profitable in England, why is an outstanding man needed? If this view is incorrect how can its proponents have the qualities required? As Sir Monty Finniston has pointed out, with a co-ordinated marketing plan it should not be an impossible task. Basic steel production is essential to security of supply and balance of payments purposes.

Maltse Graham
918 Winona Street Apt. 302, Chicago, Illinois 60640

An underground organisation

From the Managing Director, Ores International.

Sir,—In Michael Dixon's article (May 13) head-hunting is depicted as an underground organisation, almost as a business SAS. Of course the essence of this method of finding executives must be confidential if one is approaching executives whose future in a company would be put at risk if it were known.

He is, however, right in saying that much more information should have been given to the public where taxpayers money is being spent, and especially in this case of British Steel Corporation, where it is being spent on such a generous scale. The public has a right to know a number of things. For instance, was this search put out to tender, and did they invite British firms to quote? And what was the reason for choosing a foreign company in such a delicate task as that of searching for the chief executive of a nationalised British industry.

What was the projected remuneration in the specification? If the present fee had been envisaged originally, surely an executive who had worked in the UK could have been found—rather than one whose experience is of American conditions.

M. I. Webb-Bowen,
Ores International, 35-39 Maddox Street, W1.

The burden on savings

From Mr. A. Rogers.

Sir,—Once again we are back to 20 per cent inflation.

Of course, employed people have throughout the inflation saga been keeping pace with compensatory increases. The real burden has fallen upon savings.

To those with escalating earning this might be tolerable, but retired people have no such safeguard.

The time has surely come to remove the limits on holding of indexed linked certificates for retired people.

Admittedly the interest burden will fall on the taxpayer, but the employed ought not to begrudge this measure of protection to those who no longer work. It is the employed who have been largely responsible for draining away the value of retired people's savings.

18, Brookhouse Road, Walsall.

The need for roads

From the Chairman, Asphalt and Coated Macadam Association

Sir,—I have just seen the article (page 6, May 19) headed "Industry's need for good roads." This reported part of the speech made by Mr. Norman Fowler, Minister of Transport, at last week's annual luncheon of the Asphalt and Coated Macadam Association.

The short report of my speech which referred to maintenance, is in fact precisely the opposite of what I did say, which was, "we strongly believe that cosmetic maintenance may screen the problem (breakdown of the road structure) for a time, but will not be able to cope with the traffic loads to come and may in fact hide symptoms of serious failure." I said nothing about "maintenance provided unending essential bread and butter activity," as stated in your report, but did speak of "the urgent need to reverse the present trend in road spending."

J. M. Boardman,
J. G. Eccles,
East Common Lane, Scunthorpe, South Humberside.

Limitation on 'carry back'

From Mr. P. Chubb

Sir,—There has been a reasonable amount of publicity regarding annuity premiums, and those relating to the increased percentage relief and the removal of the £3,000 per annum maximum limit are of course generally welcomed. There has however been little comment on the reasons behind certain other changes and the difficulties and injustices which will raise in practice as a result of the taxpayer no longer being able to relate a premium back to the year of assessment in respect of which it is paid, or to carry forward to a later year any amount which is in excess of the maximum figure on which relief is available.

It has been one of the principles of relief from the commencement of the provisions in 1956 that it is right to allow the taxpayer to obtain relief for a premium, the maximum amount of which is calculated on the basis of the income of a particular year, against that income. This principle has been accepted by most (including previous Chancellors of the Exchequer, both Labour and Conservative), as being fair and reasonable.

These provisions have worked well and smoothly over the years. The limitation that a claim to "carry back" the relief to an earlier year can only be made if the assessment for that year has not been finalised for more than six months ensures that any adjustment of tax liabilities is carried on fairly current files of the taxpayer, his accountant, and of the Inland Revenue.

The proposed changes remove the right to carry back the relief for a premium paid to the year, in respect of which it is paid. There will be no effective change in the position of those taxpayers who know, before April 5 in any year, the amount of their relevant earnings for that fiscal year. In these cases, the taxpayer has the knowledge necessary to enable him to decide whether or not to make the payment, and how much the payment should be, and how much the tax relief will be.

In many cases, however, the taxpayer will either not know, or not be sure of, the amount of his relevant earnings for any one fiscal year before that year has ended. A sole trader, on an established "previous year" basis with accounts ending March 31 might reasonably think that he does know the amount of his assessment for any one year before the end of that year, and in the light of that knowledge he might pay the maximum premium allowable. If he sustains a trading loss in the following year however and claims relief for that loss under Section 168, he will find that he loses relief to the extent of 17½ per cent of the amount of the trading loss. He will also find that, when he retires, a proportion of his pension is taxable as "unearned" instead of "earned" income.

This is a very straightforward example of the unfairness of the proposals. Other examples readily spring to mind. The partners of a partnership applying the "commencement" or "cessation" rules will, in many cases, not know, at the end of a fiscal year, what their relevant earnings are. Changes in profit sharing ratios agreed by partners when finalising accounts for a year ended, say June 30, will affect the division of the assessment for the fiscal year ended the previous April 5.

A partner or sole trader in an existing business may sustain a loss in a new business and claim relief under Section 30 FA 1978. By doing so he will, if he has paid a premium of an amount he thought was the full amount on which he could obtain relief, lose relief equal to 17½ per cent of that loss.

In all these cases, premiums paid within a tax year could go unrelieved, resulting as mentioned above in part of the annuity on retirement being treated as unearned. One might argue that the premium for any year should not be paid until the figures on which it is to be based are known with certainty. Even ignoring the possibility of a claim under Section 30, the effect of this course will often result again in loss of relief, since the relevant earnings of the year in which the premium is paid may be insufficient to cover the premium, or may give relief at a lower level than would be the position under existing rules. It should also be borne in mind that a future (Labour) Government might "restore" taxation rates to former heights, thus creating a larger differential between actual relief and the "fair" relief.

Given the much publicised aims of the Government to assist smaller businesses, it would appear that this general attack on tax reliefs presently available to the self-employed is being mounted out of ignorance of the likely results and a belief that taxation is being simplified: for large numbers of the self-employed this is certainly not the position. As Lord Falkland said: "Where there is no need to change, there is a need not to change." The proposed changes in the percentage allowable and the removal of the £3,000 limit are both necessary and long overdue; the other changes are in no way necessary and will, if allowed to remain in the Bill, adversely affect a significant number of self-employed taxpayers.

P. W. Chubb,
Deardon Farrow,
8, Serjeants' Inn, EC4.

Today's Events

GENERAL

UK: Mr. Charles Haughey, the Irish Prime Minister, meets Mrs. Margaret Thatcher, London.

Confederation of British Industry annual meeting, London.

Mr. Leslie Porter, Tesco Stores (Holdings) chairman, and Sir Hector Laing, United Biscuits (Holdings) chairman, are among speakers at Stock Exchange northern unit conference, Leeds.

Mrs. Margaret Thatcher addresses Conservative women's conference, London.

Mr. John Moore, Energy Parliamentary Secretary, speaks at Coal Merchants Federation lunch, London.

Overseas: European Parliament in session, Strasbourg (to May 23).

Parliamentary business

House of Commons: Social Security (No. 2) Bill, remaining stages.

House of Lords: Short debate on multi-handicapped blind. Short debate on conservation of Antarctic marine living resources. Trees (Replanting and Replacement) Bill (HL), committee. Short debate on wire-tapping.

Select Committees: Education (Room 6, 10.30 am); Welsh (Room 16, 10.30 am); Agriculture (Room 5, 11 am); Public Accounts (Room 16, 4 pm); Transport (Room 17, 4.15 pm); and Social Services (Room 15, 4.30 pm).

OFFICIAL STATISTICS

April cyclical indicators for the UK economy. First quarter, second preliminary estimate of consumers' expenditure.

COMPANY MEETINGS

Bridon, Chartered Accountants Hall, Moorgate Place, EC, 12. Carpets International, Berners Street, W, 12.30. Clarke, Nicholls and Coombs, 100 Old Broad Street, EC, 12. General Accident Fire and Life Assurance, Firth, 11.30. Percy Lane, Excelsior Hotel, Birmingham Airport, 12. London Brick, Connaught Rooms, Stanley Miller, Branding House, Gosforth Park, Newcastle, 12. Provident Life Assurance, Abercorn Rooms, Liverpool Street, EC, 12. Rotork, Brassmill Lane, Bath, 3. Slough Estates, Savoy Hotel, Strand, WC, 2.30. Southampton, Isle of Wight and South of England Royal Mail Steam Packet, Post House Hotel, Southampton, 12.30. Supra, Marble House, Theatre Street, Warwick, 12. United Capitals Investment Trust, Park Hotel, Cardiff, 12.30. Weir, 30 George Street, Glasgow, 12.

R. Dutch/Shell rises by 16% in first quarter

BY MARTIN DICKSON, ENERGY CORRESPONDENT

The Royal Dutch/Shell Group of Companies had a net income of £718m in the first quarter of 1980—a 16 per cent rise on the £618m recorded in the same period last year.

Shell attributed the improvement largely to oil and gas production operations and a higher contribution from its North American affiliates, with Shell Oil in the U.S. reporting earnings of $373m, 67 per cent ahead of last time.

About £320m of net income was attributable to the FIFO method of inventory accounting, compared with £135m previously. Adjusting for this and currency translation and conversion losses of £70m (£67m gains), net income in the first quarter was some 12 per cent higher than in 1979. Crude oil supply, however, was down from 4.51m barrels a day to 3.99m b/d.

The group has capitalised interest incurred on capital projects. This reduced interest expense by £36m and increased first quarter net income by £14m, after tax and minorities.

Working capital requirements had increased by over £800m in the first quarter, largely because of higher oil prices. Capital expenditure had risen to £586m (£438m), of which about £350m had been spent on hydrocarbon exploration and development.

But the group's financial position remained strong.

Earnings per Fl 20 share of Royal Dutch are given as Fl 14.3 (Fl 11.3) for the first quarter, while stated earnings per 25p share of Shell Transport are up from 21.97p to 25.53p.

	First quarter 1980	1979
	£ million	
Revenues:		
Sales proceeds	10,060	7,918
Sales taxes, excise duties, etc.	1,706	1,588
Other revenues	152	184
Associates	232	168
Interest income	84	70
Making	8,822	6,752
Costs and expenses:		
Purchases, operating expenses	6,135	4,509
Selling, gen., admin. expenses	584	560
Exploration	93	79
Research, dev.	45	46
Depreciation, etc.	264	206
Interest expense	124	86
Tax	821	608
Minorities	38	40
Making	8,104	6,134
Net income	718	6,134

Mr. Peter Baxendell, chairman of Shell Transport and Trading, told the company's AGM that the group's 1979 results clearly demonstrated the spiralling financial needs of the industry. While group net income had been more than £3bn, this represented only around 60 per cent of the combined rise in working capital and capital expenditure for the year.

Looking to the future, he said the present situation in the Middle East gave "grave cause for concern." While the past few years had seen major changes in the world energy scene, the next 10 years would be "even more crucial and potentially more dangerous for world economic health."

Mr. Baxendell confirmed that Norske Shell, the operator in Norwegian block 31/2, had made a "major gas discovery." There was some possibility the field might extend into neighbouring blocks not yet allocated. Two wells had been drilled and a third was being drilled, but there had been no production tests yet. He pointed out that the field was in water depth of more than 300 metres, which would require new development technology.

Mr. Baxendell said he expected Shell's international coal trade to reach some 25m tonnes by 1985 and to continue to grow steadily well into the next century.

Pointing out that high oil technology such as Shell's was now at a premium, he said Shell Oil in the U.S. expected, by advanced recovery techniques, to more than double the production of the reserves it had acquired recently through Belridge Oil.

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HIGHLIGHTS

Lex looks at the Royal Dutch Shell first quarter figures which show reported net income £100m higher at £718m and a 12 per cent underlying increase. C. E. Heath's profits are down because of a weak market and difficulties in recovering money from underwriting agents. Lex also considers the latest U.S. corporate profit figures and the $1.1bn bid by Tamco for City Investing Group. Elsewhere Unigate has dropped its bid for Cliffords and Ladbroke is pulling out of the casino business.

Strong £ hits Heath—profits fall £3m

THE STRENGTH of sterling hit C. E. Heath and Co. in the year to March 31, 1980, and pre-tax profits fell from £16.05m to £12.95m, following a £2.43m downturn in the second half.

The full-year taxable surplus was arrived at before a £0.89m exceptional debit relating to provisions against amounts the directors believe irrecoverable against certain companies and agents. The bad debts covered business written over the past three years.

Mr. Frank Holland, chairman of the insurance broker and underwriting agent, said yesterday that he could not be optimistic about the current period—"I think we are in for another flat year."

He added that "there is not going to be much chance for increasing dividends unless we get some factors going for us." The total payment for 1979-80 is being raised from 9.39177p to 9.66p net, with a final of 6.6305p.

The strong pound during the period under review is reckoned to have cost some £1.7m in profit terms. The bulk of this fell on the brokerage side where about 75 per cent of the group's profits are earned overseas, and the surplus in this division declined to £7.67m (£9.87m).

Within underwriting, where profits were down from £5.1m to £3.97m, the contribution from the Lloyd's operations tumbled to £40,000 (£350,000).

Earnings per 20p share are given as 22.1p, compared with 29.6p. Available profits came through lower at £6.71m (£8.77m) after tax of £5.02m (£6.99m), exchange losses on consolidation of £0.25m (£0.24m), and minorities.

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21% ahead by Lloyds Bank Int.

PRE-TAX profits of Lloyds Bank International, a member of the Lloyds Bank Group, rose by 21 per cent to £22.8m in the six months to March 31, 1980. On a CCA basis, however, this was reduced to £8m compared with £9.6m in the corresponding period last year. This represents a fall of 17 per cent.

Income in sterling terms was again adversely affected by the strength of the pound, and exchange losses increased from £6.2m to £7.4m. The bulk of the growth in revenue came from an increase in loan volumes, but there was also an improvement in non-interest revenue.

All geographical divisions achieved some improvement in operating profits, and the most marked increases were seen in the U.S., Latin America and the Far East.

Operating profit of LBI, its subsidiary and associated companies was up from £27.1m to £32.4m after providing for bad and doubtful debts of £6.1m (£1.2m). Tax accounted for £13.8m (£9.5m), and minorities took £0.3m (£0.2m). Profit attributable was £8.7m (£9.2m).

London & Northern lifts profits to record £12.9m

RESULTS of London and Northern Group improved both at home and overseas in 1979 with turnover increasing from £173.79m to £228.16m and pre-tax profits up from £11.77m to £12.88m.

The group, with interests in construction, metal reclamation and steel stockholding, has a strong trading base and a substantial work load, the directors add.

Stated earnings per share are up from 10.5p to 14.9p and a final dividend of 2.35p lifts the total from 3.35p to 3.75p.

Tax charge is £3.35m against £4.67m and is after crediting £1.1m stock relief write-back. SSAP 15 is adopted and comparisons restated.

Minorities amount to £989,000 (£574,000) and there is an extraordinary debit of £489,000 (£295,000).

● comment

The construction division has provided the main boost to profitability at London and Northern, with a rise of nearly £1½m to a little below £9m. While Bardolin has chipped in extra 200,000 or so, the bulk of the increase has come from overseas. Elsewhere, the building products side was stagnant, mainly due to the harsh winter, while there has been a 10 per cent decline in metals in spite of a 60 per cent rise in turnover attributable to the scrap metals recovery business. Although the Dubai contract ending this autumn, both turnover and margins are likely to suffer. But profits may be maintained in a difficult year. The yield is nearly 14 per cent and the p/e 4.3, fully-taxed.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
British Syphon	2.7	July 7	2.15	4	3.32
J. Carr (Doncaster) int.	0.8	July 9	0.66	—	1.36
Estates and Agency	1	—	—	1	—
External Inv. Tst.	3.75	July 4	2.85	7	5.6
Fine Art Dev.	1.5	July 3	1.15	2.5	2.05
C. E. Heath	6.63	—	3.8	9.66	9.39
K Shoes int.	1.2	Sept. 5	0.86	—	2.63
London and Northern	2.35	July 7	2.1	3.75	3.35
N. American Tst. int.	1.2	July 7	1	—	4
N. Ind. Imp. Tst. int.	2	July 5	1.7	—	5.12
Outwich Inv. Tst.	1.94	—	1.3	2.86	1.9
Plaxton's int.	3	June 14	2.25	—	7.25
Redfearn Glass int.	5.28	July 31	5.28	—	16.55
Scott and Robertson	1.53	July 7	1.53	3.06	3.05
Sheffield Brick	1	—	2.20	1.75	3.14
Shires Investment	7.96	July 21	6.73	10.98	8.73
Transatlantic and Gen.	3.7	July 4	2.75	6.65	5.25
J. Williams, Cardiff int.	1.1	July 10	1	—	3.75

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues.

Aspery director resigns

By Alan Friedman

Mr. Maurice Asprey, a joint managing director of Aspreys, the Bond Street jeweller, yesterday resigned all of his directorships with the company.

His decision to resign, according to his solicitor, was taken after he was given under two hours notice to relinquish his positions without compensation.

Mr. Tim Cooper, an assistant to chairman Mr. John Asprey, yesterday said: "I am not aware that he was given under two hours. I understood that his departure came about after a series of negotiations," he said.

Mr. Maurice Asprey's solicitor also yesterday announced that the sale of the remaining ordinary trust shareholdings of the family of Mr. Philip Asprey, the president, had been completed. This means that the Philip Asprey family no longer has any holding of the ordinary shares of Aspreys.

The news comes after a series of conflicts within the Asprey family for control of the company. The struggle has included a bid by Alfred Dunhill and Dubai business interests which came after Mr. Philip Asprey sold his remaining personal holdings to Dunhill, giving the company about 37 per cent.

Mr. John Asprey, after buying out the family trust shares at £35 a share, now claims control of 63 per cent of total holdings. Morgan Grenfell, the company's adviser, will shortly place about 12 per cent of these shares, reducing the stake to just over 50 per cent.

Manchester Liners £3.2m loss

Manchester Liners, a subsidiary of Furness Withy, made a pre-tax loss of £3.2m in 1979 compared with a profit of £0.5m the previous year. It has passed its dividend and its reserves have been reduced by £2.9m.

Revenue fell from £64.1m to £53.4m and the group reports that its results were adversely affected by last year's "road hauliers' strike, the weak dollar, depressed world charter markets and by the losses of the engineering group up to the late of their liquidation.

Manchester Liners operates a fleet of nine container ships of which four run on the North Atlantic. The group says that its operating activities are looking more encouraging in the current year and it is just about breaking even.

The future of Manchester Liners is in a state of flux at the moment. It is highly geared and has too many ships for the size of its trade. It is owned 61.6 per cent by Furness Withy and 37.6 per cent by Eurocanadian Holdings, which had tried to take it over in 1974.

Furness Withy was taken over by C. Y. Tung's Orient Overseas Container (Holdings) earlier this year and Mr. Tung has said that he intends to give urgent attention to the problems of Manchester Liners.

Following the takeover of Furness Withy, three members of the Orient Overseas Container (Holdings) Board, Mr. C. H. Tung, Mr. Morley L. Cho and Mr. C. C. Tung, have joined the Furness Withy Board as non-executive directors. Mr. J. M. Clay and Professor Roland Smith have both resigned as non-executive directors.

KWIK-FIT DISPOSAL

Two directors of Kwik-Fit (Tyres and Exhausts) Holdings Mr. J. A. Merritt and Mr. A. L. R. Morton have disposed of 1m and 1.05m shares in the company respectively. Mr. Merritt now holds 3,509,528 (9.7 per cent) and Mr. Morton holds 3,476,484 (9.61 per cent).

Glynwed weathers steel strike

IN HIS annual statement, Mr. L. Fletcher, chairman of Glynwed says the group has not been unduly damaged by the steel strike. Despite this setback, directors will be trying to improve results in 1980.

Most UK divisions showed improvements last year but there still remain some difficult areas, the chairman says.

The plastic window frame business is not yet in full swing but hopefully the current year will produce an acceptable level of demand and profitability. Manu-Felt has been closed down due to a much diminished demand for its products.

Group profits before tax in 1979 rose from £16.1m to £18.68m on total turnover of £345.52m against £316.44m. CCA profit is reduced to £9.35m after adjustments for depreciation, £2.7m, cost of sales, £7.1m, monetary working capital, £4.2m and gearing, £4.6m.

Professional valuations of the group's land and building in December indicate a value of not less than £40m which the directors believe to be at least £21m in excess of book value.

The group's total borrowing facilities are well in excess of current requirements, the chairman says. During the year, total borrowings increased by £11.04m. Bank overdrafts and other short-term borrowings increased by £6.3m while medium and long-term indebtedness rose from £24.53m to £29.25m.

Capital expenditure amounted to £9m (£8.1m) and the purchase of businesses and a minority interest for cash amounted to £6.97m.

Extraordinary debits last year of £1.83m were mainly rationalisation costs, redundancies and closures during 1979 and the early part of the current year. The chairman hopes this amount represents almost the end of the rationalisation period which has laid the base for the group's positive growth.

Meeting, Birmingham, June 13 at 3 pm.

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UK COMPANY NEWS

Fine Art hoists profits by 9% to £6.06m

Pre-tax profits of Fine Art Developments, the greeting cards publishers, rose by 9 per cent to £6.06m in the year to March 31, compared with £5.54m. Sales were up by 30 per cent to £58.06m. At halfway profits before tax were £1.31m on sales of £23.75m.

Trading profit for the year increased to £7.27m (£6.26m) after inclusion of £0.5m as balance of a consequential loss claim. Interest was higher at £1.2m (£0.72m).

Tax took £3.3m (£2.83m) and after extraordinary items of £1.97m (£7,757) the attributable balance was £4.73m (£2.72m). The directors recommend a final dividend of 1.5p (1.1488p), taking the total for the year to 2.5p (2.0488p). Earnings per 5p share are given as 6.018p (5.807p).

● **comment**

The Fine Art share price will probably be influenced most by the figures that Wilson Brothers is expected to release today and the offer document to be posted tomorrow than the profits announced yesterday. The 16 per cent improvement at the trading level is somewhat confused by the level of consequential fire loss insurance claims received in 1978 and 1979 and the extent to which the business was disrupted by the fire in both years. Fine Art, however, remains confident of the underlying growth in the greetings card mail order business but the Wilson bid has been launched with a view to adding a more established retail base which, if anything, could grow more rapidly. The shares were unchanged yesterday at 55p where the yield is just 6.6 per cent and the dividend is solidly covered twice by CCA earnings. The yield, and an historic p/e of 9 on a full tax charge, probably reflect group's untrammelled growth record but the short to medium outlook may depend on the success of the proposed acquisition.

Estates and Agency Hldgs.

Taxable profits of Estates and Agency Holdings were £103,681 in 1979, compared with £51,675 before the acquisition of Axtell House Property Company and Molyneux Securities (Charing Cross) from Rosedimond, a company associated with Mr. Rosefield, a director of Estates and Agency.

The dividend, as forecast is 1p, and earnings were static at 0.96p after tax of £62,268 (£18,236).

Scott and Robertson down 25%

DESPITE A 24 per cent increase in turnover to £24.25m Scott and Robertson, the Dundee-based textiles group, reports pre-tax profits for the year to February 29, 1980, down 25 per cent from £824,783 to £618,941. First-half profits had increased from £312,000 to £389,000.

Depreciation accounted for £401,371 (£365,965) and interest was higher at £268,404 (£91,749).

After a tax credit of £125,741 (£341,880 charge) and an extraordinary credit of £84,962 (nil), the attributable balance is £830,644 (£832,923).

The final dividend is held at 1.532p, making an unchanged total of 3.064p. Earnings per 25p share are stated as 14.96p (11.78p).

K Shoes makes £2.37m halfway

PRE-TAX profits of K Shoes improved by £261,000 to £2.37m in the six months to March 31, 1980. Turnover was considerably higher at £35.55m against £29.29m.

After tax virtually unchanged at £828,000 (£824,000), stated earnings per 25p share are 6.82p (5.69p) and the interim dividend is raised from 0.96p to 1.2p—last year's total was 2.625p from pre-tax profits of £5.02m.

Mr. Spencer Crookenden, the chairman, says the company has had a reasonably good first half, with turnover up 21 per cent, but margins have been reduced with profits only 12 per cent ahead.

He says the factories and shops are busy at present, but the lack of buoyancy in the economy makes forecasting for the full year difficult.

● **comment**

Since the shoe market in the UK is hardly flourishing, the K Shoes profit showing is not bad at all. Growth came from the retailing side of the business (which accounts for two-thirds of income) rather than the static manufacturing side. But overall pre-tax margins are down slightly because of a 30 per cent drop in the volume of ladies' boots sold. Leather price hikes have also hurt margins. The "Kidproof" children's shoe business continues to do reasonably well however. The company is being very cautious about the full year and it may not do much more than to hold its own with a repeat of last year's £5m before taxes. This suggests a prospective p/e of 5.5 on a full tax charge. The interim dividend was put up a healthy 39.5 per cent and a total net dividend of, say, 3.5p this year could yield 8.5 per cent at 60p, down 1p.

NO PROBE

The merger between Wedd Durlacher Mordaunt and Company and Medwin Lowy will not be referred to the Monopolies and Mergers Commission, the Secretary of State for Trade has decided.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims—Avon Rubber, BOC International, Redman Heenan International, Silverthorne, Unochrome Industries.

Finals—Advance Laundries, Allied Irish Banks, Bremar Trust, Chamberlin and Hill, Duport, Hartwells, London Atlantic Investment Trust, London Prudential Investment Trust, London Trust, Progressive Securities Investment Trust, Scottish European Investment, Stonehill, Toye, Whitbread.

FUTURE DATES

Interims—
Borthwick (Thomas) .... May 29
Howard and Wyndham .... May 22

Finals—
Airflow Streamlines .... May 30
British and American Film .... June 5
Brunning .... May 29
Capper-Neill .... May 23
Fashion and General Invest. .... May 23
Fabel International .... June 6
Lasney Products .... June 10
New Throgmorton Trust .... May 28
Whittington Engineering .... June 26

Crystalate over £0.5m at halfway

IN THE half-year to March 31, 1980, pre-tax profits of Crystalate (Holdings), manufacturer of electronic components, plastic mouldings and liquid handling equipment, advanced from £398,000 to £554,000.

After tax up from £236,000 to £309,000, stated earnings per 5p share are 1.67p against 1.18p.

Turnover in the first six months was up from £6.57m to £7.54m.

Williams of Cardiff improves

DESPITE a difficult trading background, John Williams of Cardiff increased pre-tax profits from a depressed £128,000 to £325,000 for the six months to March 31, 1980, on higher turnover of £13.37m, compared with £11.07m.

With earnings per 25p share ahead by 0.79p to 1.83p, the interim dividend is raised from 1p to 1.1p net—a decision to increase the final, however, is dependent on the second-half performance. The previous year's total was 2.75p per share on taxable profits of £262,000 (£1.21m).

Mr. Harold Williams, executive chairman, says very high interest rates coupled with high borrowings following the previously announced £3m investment programme, resulted in a big increase in interest payments. But these are expected to reduce as investments pay for themselves and interest rates fall.

On a trading level, the group's steel service centres performed very creditably during a period that included the three month national steel strike.

The setps taken to remedy the problems in Jonwindows, which reported a loss last year, are continuing to bear fruit and the company is now at break-even.

There has been a significantly improved performance at the recently modernised foundry, which is beginning to produce the level of profits expected when the modernisation programme was launched. The board is hopeful this trend will continue.

Tax for the six months took £169,000 (£66,600)

● **comment**

John Williams has recovered as forecast but any further improvement may have to wait more favourable trading conditions. The £2m investment on the foundry has consolidated the company's position as a supplier of high quality castings and the steel stockholding business is in good trim but suffering from the current trade surplus. The aluminium window business is slowly recovering from the accidental deaths of almost its entire management team in 1978, but is not expected to reach much more than break even point this year. If the group's second half profits match the first half, the prospective p/e is 8.9m on yesterday's price of 34p, down 1p. The interim dividend was raised by a tenth and if the pattern is maintained at the final, the prospective yield is 13.1 per cent.

Confidence at Coates Brothers

Coates Brothers and Company can face the future with confidence in its ability to grow and prosper in the longer term because of the underlying financial and technical strength of its business, says Sir Richard Meyjes, the chairman, in his annual statement.

These strengths encourage the group to continue with its current policy of modernising its internal structure and UK manufacturing and research facilities so that it will be ready to take full advantage of an upturn in business and also to maintain the steady development of its overseas activities, the chairman states.

As already known, pre-tax profits for 1979 fell by 9.8 per cent to £8.5m, on higher turnover of £95.24m (£87.71m). On a CCA basis, the taxable result is £5.83m. The group manufactures printing inks, resins and industrial surface coatings.

No major changes have been made to the group's long term investment programme and growth strategy, but the Board has strengthened monitoring procedures and financial controls on working capital, all forms of expenditure and on manpower numbers and will be ready to take prompt action to rectify any performance deficiencies.

Meeting, Stationers' Hall, EC, June 12, at 11.30 am.

Associated Biscuit sees profit growth

At the annual meeting of Associated Biscuit Manufacturers, Mr. Gordon Palmer, the chairman said that despite disappointing trading figures in March and April and the difficult conditions facing the group's export trade, he expected 1980 to be another year of profit growth.

At other AGM's the chairmen reported the follows:—

Bambers Stores: Mr. S. Marks commented that during recent weeks there had been an improvement in turnover, which was running well ahead of last year. A further six stores had been opened since the annual report and these were all trading very satisfactory.

Cape Industries: Mr. Lionel Stopford Sackville said prospects for both the building and automotive divisions were hard to determine accurately; however, for the first quarter the company had traded at close to budgeted level and profits were ahead of last year.

Feb International: Mr. Gordon Fisher reported that the trading position in the opening months of the year was very satisfactory and providing the present conditions continued, he saw no reason why the group should not produce record profits.

IN BRIEF

MAJEDIE INVESTMENTS — Pre-tax profit for half year to March 31, 1980 £261,807 (£156,251). After tax £84,600 (£71,000), earnings per 10p share 1.14p (0.47p). Net asset value per share 115p (98p). Comparisons adjusted to exclude Edward Till and Co, sold on March 28.

OUTWICH INVESTMENT TRUST—In year ended March 31, 1980 pre-tax revenue £2.3m (£1.82m). After tax £715,410 (£615,707), stated earnings per 25p share 2.86p (2.22p). Final dividend 1.34p, making total 2.60p (1.9p). Proposed to replace capital gearing by scrip issue of one 10 per cent cumulative preference share for every 10 ordinary. This will involve issue of 6,050,008 new preference shares and an EGM will be held to approve the issue immediately before the AGM on June 30.

EXTERNAL INVESTMENT TRUST—Final dividend 3.75p making 7p (6.5p) net for year to March 31, 1980. Revenue £987,703 (£858,478) before tax £386,258 (£352,143). Net asset value per £1 share 214.4p (201.3p) and diluted 206.4p (197p).

NORTHERN AMERICAN TRUST—Interim dividend 1.2p (1p) net. Revenue for half-year to May 1, 1980 £224,763 (£542,888), after corporation tax £87,412 (£83,886), unrelieved overseas tax nil (£3,476) and imputation tax £278,068 (£220,664). Net asset value per share 127.4p (152p) and assuming full conversion of loan stock 126.5p (148.9p).

TRANSATLANTIC AND GENERAL INVESTMENTS — Final dividend 3.7p making 6.5p (5.25p) net for year to March 31, 1980. Revenue £303,270 (£218,427) before tax £139,936 (£93,637). Net asset value per share 34.3p (112.2p).

SHIRES INVESTMENT—Final dividend 7.95p making 10.85p (8.734p) net for year. Pre-tax revenue £415,544 (£361,403). After tax £136,119 (£133,570), earnings per 50p share 11.11p (8.84p). Net asset value per share 138.1p (188.8p).

JERSEY GENERAL INVESTMENT TRUST—Profit for year to April 30, 1980, £636,379 (£783,579). As known, final dividend 9.5p making 18.5p (14.5p) total.

SPAIN

May 20	Price %	+ or −
Banco Bilbao	303	
Banco Central	317	
Banco Exterior	303	−3
Banco Hispano	303	
Banco Ind. Cat.	122	
Banco Madrid	141	
Banco Santander	337	
Banco Urquijo	140	
Banco Vizcaya	260	
Banco Zaragoza	203	
Dragados	77	+1
Espanola Zinc	62	−1
Fecsa	60.2	+0.5
Gal. Preciados	33	
Hidrola	59	
Iberduero	60.2	+0.3
Petroleos	89	+0.2
Petroliber	107	
Sogefisa	101	
Telefonica	52.5	−0.2
Union Elect.	58.2	+0.2

AIR CALL communications

AIR CALL LIMITED

(Incorporated under the Companies Act 1948. Registered in England No. 674784)

("AIR CALL")

Share Capital

Authorised £		Issued and fully paid £
1,000,000	in Ordinary shares of 25p each	964,284
1,000,000		964,284

The placing has been completed of 886,856 new Ordinary shares of 25p each of Air Call at 150p per share

There is no listing on any stock exchange for the shares of Air Call and application is not being made to any stock exchange for a listing for any part of the company's capital. However, applications may be made for permission to transact specific bargains under Rule 163(2) of the Rules and Regulations of The Stock Exchange.

Persons wishing to deal in the Ordinary shares of Air Call should consult their stockbroker or other professional adviser in order that the necessary permission for specific bargains can be obtained from the Council of The Stock Exchange.

Full information regarding Air Call is contained in a Placing Document dated 12th May 1980 and copies may be obtained from the sponsoring brokers:

Grieveson, Grant and Co.,
59 Gresham Street,
London EC2P 2DS.

Information in regard to Air Call is also available in the Extel Unquoted Companies Service.

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

1979-80 High	Low	Company	Price	Change	Gross Div (p)	Yield %	P/E
69	50	Airsprung	57	—	6.7	10.0	4.0
50	26	Armitage and Rhodes	34	+1	3.3	11.2	2.2
275	165	Bardon Hill	275	—	13.8	5.0	13.6
100	78	County Cars 10.7% Pf.	78	−2	15.3	19.5	—
101	63	Deborah Ord.	82	−1	5.0	5.4	10.1
120	98	Frank Horsell	120	—	7.8	6.6	7.4
129	98	Frederick Parker	98	—	12.8	13.1	4.5
104	102	George Blair	105	—	16.5	15.7	—
72	45	Jackson Group	72	+1	5.2	7.2	4.2
153	107	James Burrough	109	—	8.7	8.0	5.5
300	240	Robert Jenkins	300	+5	31.3	10.5	3.3
232	178	Torday	224	—	14.3	6.4	5.8
34	11	Twinlock Ord.	14½	+1½	0.9	6.8	2.8
80	70	Twinlock 12% ULS	70	—	12.0	17.1	—
56	23	Unilock Holdings	48	−1	2.6	5.5	6.8
50	45	Unilock Holdings New	48	−1	—	—	6.8
80	43	Walter Alexander	80	−2	4.4	5.5	8.0
208	138	W. S. Yeates	208	+3	12.1	5.8	3.4

1 Accounts prepared under provisions of SSAP 16.

Redfearn National Glass Limited Manufacturers of glass containers

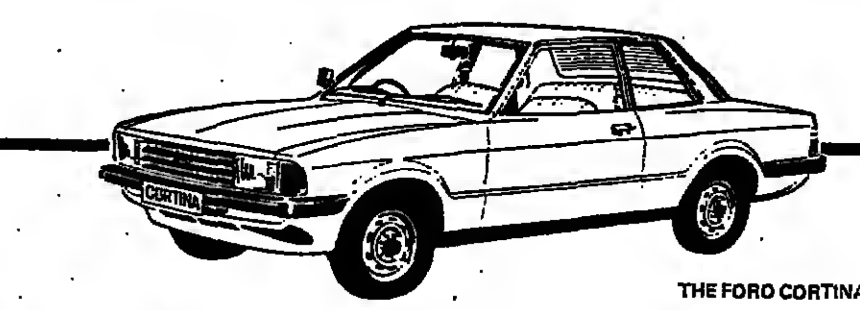
Interim Statement *for 26 weeks ended 30 March 1980*

- The results are much as forecast in the Annual Statement last year. The longer periods of closure of customers' plants over the Christmas and New Year holiday periods coupled with our planned furnace rebuilding programme which is concentrated in the early part of the year will continue to depress company profits in the first half of each financial year.
- The outlook must be more uncertain than in previous years, with the main doubt being the level of consumer spending during the remainder of 1980. However, we are confident in our ability to remain competitive in these circumstances and are sure that our efforts to secure high productivity will in time show a good return

Summary of Results (unaudited)

	26 weeks ended 30 March 1980 £000	26 weeks ended 1 April 1979 £000	52 weeks ended 30 Sept. 1979 £000
Sales	28,608	24,328	55,968
Profit before Taxation	184	339	3,313
Earnings per Ordinary Share	0.71p	2.69p	49.67p
Dividend per share	5.28p	5.28p	16.55p

Copies of the full Interim Statement can be obtained from the Secretary, Redfearn National Glass Limited, Fishergate, York, YO1 4AD.



THE FORD CORTINA

HAROLD PERRY MOTORS LIMITED

Ford Main Dealers

1979 RESULTS

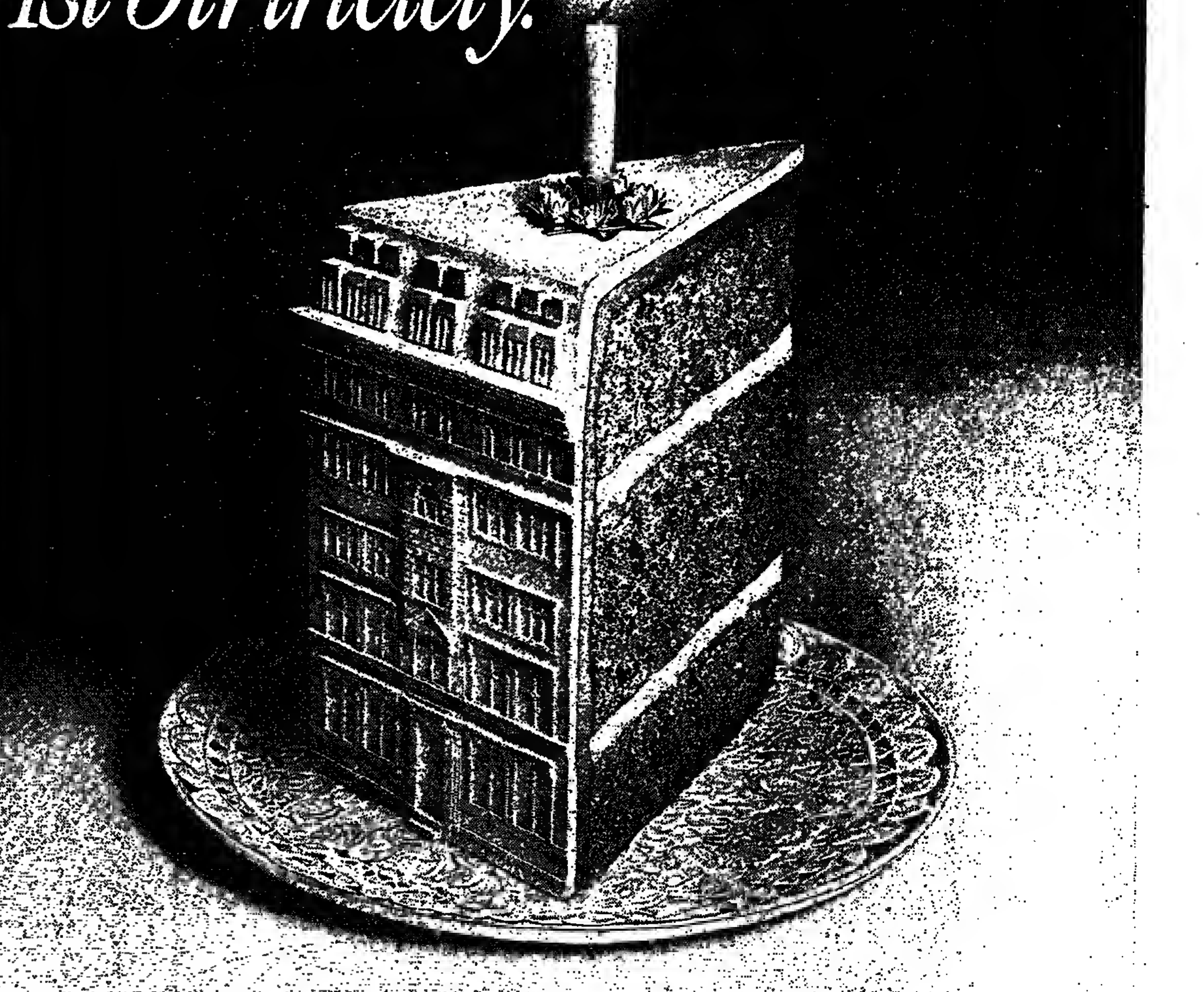
	1979 £'000	1978 £'000
Group Sales	115,282	87,589
Profit before Tax	4,932	3,763
Gross Dividends per share	10.0p	5.4p
Earnings per share	37.0p	34.3p

● 1 for 1 capitalisation issue of shares ● 1979 dividend increased by 86% over 1978 ● 3 major expansion projects now completed.

GO PERRYS

Copies of the Chairman's statement and the 1979 Report and Accounts can be obtained from The Secretary, Harold Perry Motors Ltd, 2a Alexandra Grove, North Finchley, London N12 8NU.

After 112 years Mercantile House has its 1st birthday.



We were founded in 1868 but changed our name to Mercantile House Holdings Limited a year ago.

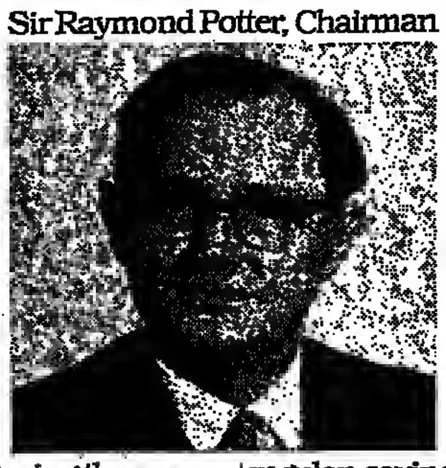
Our current range of international financial services includes the world's largest money broking network, the SIMCO money funds, loan syndication, project finance and equipment leasing.

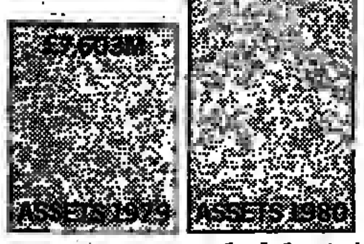
Recently announced proposed major acquisitions mean that this year we will become brokers in United States government and agency securities and in the financial futures and commodity markets.

Mercantile House Holdings Limited

International financial services

Mercantile House Holdings Limited, 66 Cannon Street, LONDON EC4N 6AE.





APPOINTMENTS

Fisons chairman designate

Sir Ronald McIntosh

Sir Ronald McIntosh has been appointed chairman designate and deputy chairman of the FISONS group. He will become chairman when Sir George Burton retires in May 1981. Sir Ronald, 60, joined the Fisons Board as a non-executive director on January 1, 1978. He is also a director of S. G. Warburg and Co., Foseco Minsep and London and Manchester Assurance. Following his retirement as chairman, Sir George will continue as a non-executive director of the Fisons group.

★

Mr. John A. Hope has joined WILKINSON MATCH as managing director of the company's safety and protection division and will be based at the division's Reading headquarters. Mr. Hope was for several years managing director of GEC's measurements and medical equipment companies, and more recently group managing director of Negretti and Zambra. Mr. J. R. Stevens, who has been acting managing director of Wilkinson Match resumes his position as divisional technical director.

★

Mr. V. Vnhralik and Mr. A. A. R. Cobbold have been appointed directors of EVODE HOLDINGS.

★

Mr. E. J. Jordan is to become chief executive of HENRY BATH AND SON, a member of MIM Holdings group, and will take up his new position on July 1, 1980. He will succeed Mr. J. L. Cognet, who retires from the company at the end of 1982. Mr. Cognet remains a director of Henry Bath and chairman and chief executive of HB Steel. Mr. K. R. Barrett and Mr. J. D. Bendlt will retire from the board of Henry Bath and Mr. R. H. Y. Mills will become non-executive chairman. Mr. Jordan is commercial director of Enfield Rolling Mills, a company in the Delta Group.

★

Mr. Jim Smith, managing director of Parker Winder and Achurch, has been elected chairman of the GUILD OF ARCHITECTURAL IRONMONGERS for the year 1980-81. Other officers elected are Mr. Graham Shirville, vice-chairman; Mr. Les Preece, deputy vice-chairman; Mr. William Shepherd, honorary treasurer; and Mr. Keith Moss, education chairman.

★

Mrs. M. L. Boyle, Miss A. P. Vale and Mr. R. G. Owen have been appointed members of the EMPLOYMENT APPEAL TRIBUNAL from May 19.

★

Mr. Basil Skeates has been appointed director of Defence Services II in the PROPERTY SERVICES AGENCY of the Department of the Environment.

★

Britannia Arrow Holdings and the Murchison Group, of the U.S., have formed a joint company called BRITANNIA MURCHISON. The board of the new concern is Mr. Geoffrey Rippon, MP, chairman, Mr. R. C. Baker, Mr. J. Gilbert and Mr. S. A. Goldsmith. Mr. E. F. Kalick will be appointed as a non-executive director.

★

Major General Michael Callan has been appointed a director of IDC LIMITED of Stratford-upon-Avon. Major General Callan was previously Director General of Ordinance Services at the Ministry of Defence.

★

Wigham Poland Group has reconstructed certain subsidiaries to form WIGHAM POLAND INTERNATIONAL which will operate through the following three subsidiaries and their chief executives: Wigham Poland Aviation (Mr. David Tyler); Wigham Poland Contractors (Mr. David Evans); and Wigham Poland International Non-Marine (Mr. Tom James). Mr. Brian Lambert, who is a deputy chairman of Wigham Poland Holdings, is the chairman of Wigham Poland International and each of its subsidiaries. His deputy chairman on the Board of WP International will be Mr. Evans, who is also a main Board director of WP Holdings.

★

Mr. Brian Hanks has been appointed by BARCLAYS BANK OF NEW YORK as senior vice president of the Long Island region. Mr. C. M. Mabon has become executive vice president of Long Island, Queens and Manhattan regions.

★

Mr. W. M. Thom, of the HAT Group, has been elected president of the NATIONAL FEDERATION OF PAINTING AND DECORATING CONTRACTORS for 1980-81. Mr. K. F. Hamson is senior vice president, and Mr. R. W. Morgan, junior vice president and honorary treasurer.

★

Mr. J. B. Clark has resigned from the board of IVORY AND SIME and Mr. R. K. J. Pakenham has been appointed in his place. Mr. Pakenham represents Amex Bank, which is a major shareholder in the company. Mr. R. J. Randall and Mr. D. B. Nichol join the Ivory and Sime board and Mr. Randall continues to act as secretary. Mr. Ian Clark and Mr. C. G. H. Weaver have been appointed assistant directors. The changes take effect from May 20.

★

Mr. Jeremy Salaman has been appointed managing director of SABRE MOTOR ACCESSORIES, the recently acquired subsidiary of Grimshawe Holdings. Mr. Salaman was previously sales director of Meyer and Myer. Mr. T. R. Petitt, who has been acting general manager of Sabre, will be undertaking other duties in the Grimshawe Group.

★

Mr. David Elliott has been appointed to the board of ALFRED BOOTH AND CO. from June 1. Mr. Elliott joined the group last year and is managing director of Unit Construction Company. Mr. Tony Hull, financial controller of Unit Construction, becomes a director of that company from the beginning of June.

UK COMPANY NEWS

MINING NEWS

Amax in $200m phosphate bid

BY KENNETH MARSTON, MINING EDITOR

AMERICA'S Amax natural resources giant is making a $200m (£87.6m) acquisition in the phosphate chemical industry, no doubt taking the view that depreciating paper currency should be exchanged for sound long term income-producing assets even though they may suffer in the shorter run from the world recession.

The purchase, over which agreement in principle has been reached with the U.S. Borden company, involves certain of the latter's activities in the mining and processing of phosphate rock carried out by its basic chemicals group.

They include a phosphate rock mine, a phosphoric acid complex, and a defluorinated feed phosphate production facility, all in Florida.

Amax says that the completion of the transaction is subject to a definitive agreement being reached between the two companies and to the filing and waiting period requirements under the Hart-Scott-Rodino Antitrust Improvement Act.

Behind the deal lies the fact that last year Amax acquired over 23,500 acres of phosphate rock bearing land in central Florida.

Amax, incidentally, is one of the U.S. companies which operates a dividend reinvestment and share purchase scheme. Shareholders are permitted to plough back their dividends into the company, receiving further shares in exchange.

These are priced at a discount of 5 per cent below the market level and there is no service charge or brokerage commission for shares purchased in this way. Shareholders may also use the scheme to purchase additional shares for cash, but in this case they pay the market price. Amax shares were £17½ in London yesterday.

IMETAL UNIT'S U.S. PURCHASE

The French metals concern Penarroya, a subsidiary of the Rothschild-owned mining group Imetal, has reached agreement in principle to acquire the whole of the U.S. company Revere Smelting and Refining of Dallas, Texas.

An American subsidiary of Penarroya is to pay $13 a share for RSR, which is principally concerned with the recycling of lead. This values RSR, which last year made pre-tax profits of $7.2m on sales of $152m, at $22.1m, or just under £10m.

ROUND-UP

SOUTH AFRICA'S Anglo American Coal Corporation, which already holds about 66.4 per cent of the coal-producing Vryheid Corporation, is to bid for the remainder of the latter's capital. Shareholders of Vryheid are offered a choice of a capital payment of 360 cents (199p) per share or a special dividend of 310 cents plus a capital payment of 50 cents. The offer is worth some R11.65m, but the acquisition will have only a marginally beneficial effect on Amcoal's earnings and net asset value per share, it is stated.

* * *

While the boat has gone out of the market for uranium — the spot price is now down to about $35 per pound for uranium oxide from the peak of $43 or so — Pancontinental still awaits Australian Government permission to take to production the huge Jabiluka deposit in the Northern Territory.

Not surprisingly, the Pancontinental chairman, Mr. Anthony Grey has told the annual meeting of the Australian Mining Industry Council: "Excessive delays in bringing orebodies into production have played into the hands of our competitors, particularly South Africa. If we do not get moving we will lose further sales to the South Africans and, now that Saskatchewan orebodies are being brought into production, to Canada."

* * *

America's Asarco is reported to be suing in the Ontario Supreme Court Heath Steele Mines and Inco, over ownership of the Little River lead-zinc-copper joint venture mining and milling complex in New Brunswick. Asarco alleges that Heath Steele, which owns 75 per cent of the joint venture, refused to recognise Asarco as a participant or to pay the amounts owed to Asarco. The Court is being asked to confirm that Asarco owns the 25 per cent interest purchased from Inco.

OIL AND GAS NEWS

Hydrocarbons found in Hibernia B-08

Electric logs have indicated the presence of hydrocarbons in the Hibernia B-08 well, drilled to prove the extent of the Hibernia P-15 oil discovery well nearly 200 miles off the coast of St. John's, Newfoundland.

The Hibernia P-15, drilled by a consortium of oil companies including Chevron Standard, Mobil Canada, Petro-Canada, Gulf Canada and Columbia Gas Development Canada, was confirmed as a commercial discovery in January when Chevron revealed that three principal zones of oil accumulations, with some gas, proved capable of producing at a rate of 20,000 barrels daily.

Hibernia B-08 is located 2.7 miles north of the original Hibernia discovery well and has a projected total depth of 16,000 feet.

The electric logs were run at an intermediate depth of 10,144 feet and preliminary analysis indicated a possible 115 feet of net potential hydrocarbon-bearing sand in several zones over the interval 8,688 feet to 10,025 feet.

Mobil Canada, the operator for the consortium, says that production tests will be run when drilling is completed.

* * *

Five oil prospecting permits covering 21,798 sq km of North Morocco have been granted to a consortium comprising of Elf Aquitaine, Societe Cherifienne Des Petroles and Bureau de Recherches et de Participations Minieres by the Moroccan Government.

The permits are located in the Rharb Basin and the Pre-Rif area north of Rabat and include an offshore permit between the Sebou and Loukos River estuaries. The permits are valid for four years from April 16, 1980.

* * *

Gulfstream Resources Canada, the Toronto-based natural resources company, says that a recently completed evaluation of the Qatar Marine D-1A well and other wells previously completed in Qatar's North West Dome field estimates the recoverable reserves in the field attributable to the Wintershall/Gulfstream concession area to be 37 trillion (million million) cubic feet of natural gas and 700m barrels of associated condensate.

Gulfstream has a 5 per cent working interest and a 5 per cent carried interest in the concession area.

Moray Firth Radio

Moray Firth Radio, the public company formed to operate an Inverness-based independent local radio station, is seeking to raise £249,900 through the issue of £1 "A" ordinary shares at par.

The issue is not underwritten, though its manager, the British Linen Bank, has agreed to subscribe up to £25,000 on behalf of the Bank of Scotland group.

The company will proceed only if the issue is fully subscribed. It would then issue 7,500 "B" shares to the Moray Firth Community Radio Association, which won the IBA franchise and formed the company.

The "B" shares would rank pari passu for dividends, but would represent 50 per cent of general meeting votes. The Moray Firth Radio board would comprise six "A" directors (responsible for policy) and five "B" directors (finance).

Broadcasting is expected to begin in 1981, initially for 12 hours daily to a potential audience of 140,000. The Highlands and Islands Development Board is considering assistance for the project.

Heavy redundancy costs hit Redfearn's profits

REDUNDANCY COSTS, losses incurred in starting up a subsidiary and high interest charges have resulted in pre-tax profits of Redfearn National Glass dropping from £339,000 to £184,000 in the 26 weeks to March 30, 1980.

The net redundancy costs amounted to £350,000 and the cost reduction programme was concluded just before Christmas. The workforce was reduced by some 280 without loss of output.

Mr. John Pratt, the chairman, says the results are in line with his forecast last year. Sales demand in volume terms was somewhat disappointing, being affected by reduced demand from its whisky customers and by high customers' stocks in the soft drinks industry. Although other areas provided better than expected sales, the overall picture has been one of subdued demand.

The longer periods of closure of customers' plants over the Christmas and New Year periods, coupled with the planned furnace rebuilding programme, which is concentrated in the early part of the year, will continue to depress the profits in the first half of each financial year, he says.

The company's new subsidiary, RN Plastics had some technical difficulties and progress was slower than hoped for. But a number of modifications have now been made and a better rate of progress is now being achieved.

Interest payable in the first half amounted to £601,000 (£493,000). Mr. Pratt says the reduced level of demand has resulted in an increase in stock levels and action has been taken to bring these down.

After tax of £137,000 (£160,000), stated earnings per 25p share are reduced from 2.88p to 0.71p. The interim dividend is unchanged at 2.35p—last year's total was 16.55p from pre-tax profits of £3.31m.

Depreciation and furnace renewal expenditure (after crediting government grants released) amounted to £1.53m (£1.5m).

Turnover in the first 26 weeks amounted to £28.61m compared with £24.33m.

● comment

Once again Redfearn has produced a woeful set of interim figures, struck on this occasion after heavy redundancy and interest costs. Even excluding such items, the trading picture remains poor and it is clear that the group has been bedevilled from supply problems which the steel strike created for can producers. Redfearn should forge ahead in the second half—though the rebound will be less striking than last year—since the good weather is helping production levels and the redundancy programme is complete. Over the longer term, the group will be depending on its PET bottle plant to restore a measure of growth. This will continue to hold back profits for the rest of the year but could be contributing in 1981. With a very cloudy earnings outlook, the only consolation for shareholders is the dividend, which Redfearn is doggedly maintaining. At yesterday's share price of 230p, down 5p on the day, it produces a yield of 10.5 per cent.

Mid-year boost for Plaxton's

AN increase of £613,000 to £1.94m in pre-tax profits for the half-year to March 31, 1980, is reported by Plaxton's (Scarborough), coachbody builder.

The pre-tax figure was struck after interest receivable of £381,000 against £183,000.

The tax charge was up from £347,000 to £879,000. The interim dividend is raised from 2.25p to 3p, last year's total was 7.25p from pre-tax profits of £3.32m.

The directors say the figures illustrate continued progress, but include a further material transfer of profitability from the second half to the first six months due to a change in the historically seasonal offtake in the major coachbuilding activity.

All divisions have improved their probability, and order books are good. The full year's results are expected to show a useful advance on those of last year, says the board.

Leyland progress in India

Leyland Vehicles' Indian subsidiary, Ashok Leyland, reported revenue totalling £98.4m last year against £75.6m in 1978. Production of trucks and buses reached a record 12,315 vehicles, making the company a substantial force in the commercial vehicle industry.

The profit last year of £7.5m was slightly down on the previous year, but this was seen as a good result in view of the disruptions in the supply of critical components. Ashok Leyland is a highly integrated operation and produces its own engines, transmissions and axles.

Many of them, however, are interchangeable with components produced in the UK and the fact that key components could be brought in last year was significant in keeping production up.

Leyland now owns 50.7 per cent of Ashok Leyland, although the management is entirely in Indian hands. Capacity is being increased to 15,000 vehicles a year by the end of 1980, and 25,000 by 1985.

The Indian Government is expected shortly to issue a manufacturing license for 40,000 vehicles a year and it is envisaged that the company will eventually expand to that level.

Leyland Vehicles' other Indian subsidiary, Ennore Foundries, in which it has a 60 per cent share, announced sales of £7.6m in 1979 (1978—£6.3m) and profit of £1.5m (1978—£1.1m). The foundry operations are currently being expanded at a cost of £3.7m.

Inflation worry for Fisons

Fisons will seriously have to question a number of areas of its business if the present Government's fight against inflation is not successful, Sir George Burton, the company's chairman, told yesterday's annual meeting.

Last year the group saw pre-tax profits fall by a quarter to £17.3m. On a current cost basis, earnings fell still more sharply, from £11.5m to £1.3m. Referring to the current year, Sir George said a number of external factors were making the earning of profits more difficult than in 1979.

He cited in particular the continued high value of sterling, the impact of high interest rates and the effect of a widespread recession. Sir George added that "although we strongly support the Government's policy in attacking inflation, the effect of cuts in public spending, which particularly affect our scientific equipment business, is damaging."

The chairman said he would be surprised if 1980 did not produce further acquisitions by Fisons, though probably not on the same scale as last year when the group spent £11m on buying five companies.

Sir George announced the appointment of Sir Ronald McIntosh as deputy chairman and chairman-designate. Sir Ronald will take over the chair from Sir George, who is reaching retirement age, a year from now.

WINN INDUSTRIES

Winn Industries is proposing to exchange its 7½ per cent debenture stock 1985/90 and 8½ per cent debenture stock 1989/94 for equal amounts of a new 8½ per cent debenture stock 1989/94 of London and Midland Industrials.

Meetings to approve the change will be held on June 9.

John Carr ahead at mid-year

REFLECTING REASONABLE levels of activity in the building trade in the latter part of 1979, pre-tax profits of John Carr (Doncaster), timber merchant and joinery manufacturer, advanced from £1.41m to £1.75m in the half-year to March 31, 1980.

But although the second half has started satisfactorily, spending cuts make an increase in volume in the current six months unlikely, state the directors. Higher interest rates and inflation have curbed demand since the end of 1979.

But the group's cash balances remain strong, they add, and investment in new equipment to reduce costs is continuing.

The interim dividend is increased from 0.66p to 0.5p—last year's final was 1.3p, paid from total profits of £3.19m.

Turnover improved in the six months to £11.34m (£9.43m) and earnings per 25p share, after tax of £0.88m (£0.72m) are shown as 3.96p (3.1p).

British Syphon improvement

CURRENT YEAR STARTS WELL ON increased turnover of £26.84m against £20.04m, profits before tax of British Syphon Industries improved from £1.2m to £1.31m at the end of 1979.

The current year has started well with the prospect of a significant improvement in profitability over the first half last year when profits were down from £600,072 to £535,000. High levels of activity in all divisions are continuing, the directors add.

Stated earnings per share for 1979 were down from 13.35p to 12.55p but the directors are lifting the total dividend from 3.3167p to 4p with a 2.7p final.

Mr. J. E. Eardley, chairman, says that while he is confident that the group has the ability to maintain and even increase its market share and to diversify into new markets, "it is obviously impossible to insulate ourselves entirely from a general decline in industrial activity or domestic consumption."

	1979 £000s	1978 £000s
Trading profit	1,832	1,506
Special item	—	42
Interest paid	526	344
Profit before tax	1,306	1,204
Tax	196	43
Net profit	1,110	1,161
Extraord. debits	117	28
Credit*	297	50

*Realisation of amount previously held in non-distributable revaluation reserve.

In these circumstances it would be unwise to predict the final outcome of the year, the chairman says.

● comment

A strong performance by the expanded merchanting division helped British Syphon Industries to a modest full-year rise after a 17 per cent profits shortfall at the interim stage. Merchanting upped its profits contribution from 11 to 18 per cent, while drink dispensing stood still and manufacturing services showed a relative fallback from 30 per cent to 25 per cent. The year's main problem area was cutlery maker George Ibberson, which probably lost around £100,000. The company hopes to see it in the black this year, with the help of an American export drive. The current year should see interim profits comfortably back to 1978 levels, but for the full year BSI is conscious of its potential exposure to the winds of recession. The fully-taxed p/e stands at eight, on a 10.7 per cent yield at 66p.

Reorganisation at Hunt and Moscrop

Difficult trading conditions in the second six months of 1979-80, following the sharp decline in the first-half profits, have compelled Hunt and Moscrop (Middleton), industrial machinery manufacturer, to completely rationalise its company's products and manufacturing facilities.

The reorganisation will be completed by the end of the current year to June 30, and the cost, which the board says will be heavy, will be shown as an extraordinary item in the accounts.

Manufacturing at the Miles Platting Works has been stopped, but its sales and engineering teams, together with their related products, are being moved to other subsidiaries. A cost-cutting exercise is also being carried out throughout the group.

As a result of the actions, the group will start 1980-81 with considerably reduced overheads and operating expenses but, with maintained production on existing lines of equipment, they should also have a major effect on that year's operating results.

In the six months ended December 31, 1979, pre-tax profits fell from £646,000 to £208,000. The interim dividend was held at 0.3575p net per 5p share and the board hopes to main last year's final of 0.54272p.

TINNOX/BARGET

The Tinnox offer for 50.5 per cent of shares of Barget has been accepted in respect of 755,385 shares (53.47 per cent of capital). Acquisition of 713,464 Barget shares (50.5 per cent) been approved by Barget holders at an EGM. The Tinnox offer has closed.

Yearlings up to 15¼%

The interest rate on this week's issues of local authority yearling bonds is 15¼ per cent, up ⅛ from last week. Issued at par, they are redeemable on May 27, 1981.

The issues are: Greater London Council (£2.5m); London Borough of Lambeth (£0.5m); City of Manchester (£0.5m); Metropolitan Borough of Sandwell (£0.5m); Adur DC (£0.5m); City of Cardiff (£1m); Chester-le-Street DC (£0.5m); Cumnock and Doon Valley DC (£0.5m); London Borough of Islington (£1m); Northampton BC (£0.75m); Borough of Hyndburn (£0.2m); West Lancashire DC (£0.25m); London Borough of Redbridge (£0.5m); South Bucks DC (£0.25m); Borough of Reigate and Banstead (£0.5m); City of Leeds (£2m); Lothian RC (£1m); Redditch DC (£0.5m); Warwick DC (£1m); Basildon DC (£0.5m); Castle Morpeth BC (£0.25m); Crawley BC (£0.5m); Lichfield DC (£0.25m); Royal Borough of Windsor and Maidenhead (£0.5m); Gateshead BC (£0.5m); and Midlothian DC (£1.25m).

Borough of Blaenau Gwent is raising £0.5m in three-year bonds at 15¼ per cent maturing on May 18, 1983.

SHARE STAKES

Amalgamated Distilled Products—C. Mullen, director, sold 40,000 shares between May 12 and 15.

Neil and Spencer Holdings—On May 8, S. K. Proctor, director, disposed of 25,000 shares.

EUROPEAN OPTIONS EXCHANGE

Series		July Vol.	July Last	Oct. Vol.	Oct. Last	Jan. Vol.	Jan. Last	Stock
AKZ C	F.22,50	—	—	—	—	ee	3.10	F.23,90
AKZ C	F.25	2	0.80	25	1.50	45	2	"
AKZ C	F.27,50	46	0.30	53	0.70	—	—	"
ARB C	F.60	—	—	1	5.50	—	—	F.62,60
HEI C	F.60	10	3.30	—	—	—	—	F.61.10
HEN C	F.52	—	—	1	11.30	—	—	"
HO C	F.15	2	2.30	11	2.30	—	—	F.17,20
HO C	F.17.50	—	—	20	1.50	—	—	"
HO C	F.20	20	0.30	—	—	—	—	"
HO P	F.22,50	10	0.20	—	—	—	—	"
KLM C	F.60	225	7.80	5	9.50	4	10	F.66,70
KLM C	F.70	372	2.80	—	—	—	—	"
KLM C	F.80	51	0.60	153	1.60	—	—	"
KLM P	F.60	44	2	12	4	—	—	"
KLM P	F.70	22	6.80	e	8.70	—	—	"
KLM P	F.80	3	14	—	—	—	—	"
NN P	F.100	—	—	3	12	—	—	F.116,80
NN C	F.115	46	3.30	4	5.50	—	—	"
NN P	F.120	—	—	20	5	—	—	"
PET P	Fr.5000	2	100	—	—	—	—	Fr.5110
PHI C	F.16	1	3.10	—	—	—	—	F.17,80
PHI C	F,17.50	4	0.80	10	1.60	—	—	"
PHI P	F.20	100	0.20	17	0,60	—	—	"
PHI P	F.20	6	2.10	—	—	—	—	"
PHI C	F.22.50	—	—	1	4.40	—	—	"
RD C	F.140	—	—	2	22	—	—	F.162,40
RD C	F.145	121	17.40	1	16.50	—	—	"
RD C	F.150	356	12.60	109	12.50	—	—	"
RD P	F.160	761	3.50	70	6.40	34	7.30	"
RD P	F.170	509	0.90	190	2.80	—	—	"
RD P	F.140	—	—	10	3	—	—	"
RD P	F.145	10	1.80	13	5.20	—	—	"
RD P	F.150	134	3.20	—	—	—	—	"
RD P	F.160	24	8	5	13	—	—	"
UNI C	F.115	12	1.60	3	3.80	—	—	F.109,10
UNI C	F.120	—	—	7	1.50	—	—	"
UNI C	F.110	24	3	—	—	—	—	"
		Aug.		Nov.		Feb.		
OXY C	$25	2	⅞	—	—	—	—	$22⅞
SLB C	$110	12	6¼	3	11	—	—	$108⅞
SLB C	$120	7	2	7	6¼	—	—	"

TOTAL VOLUME IN CONTRACTS 1877

C=Call P=Put

BIDS AND DEALS

Unigate pulls out of Clifford's battle

Unigate has withdrawn its second offer for Clifford's Dairies, the Berkshire-based company for which it was prepared to pay nearly £14m.

Its decision came after Clifford's had told Unigate that the holders of a majority of the voting shares — namely the Clifford and Smith families — were firmly against the bid.

Unigate, for its part, was determined not to increase the terms for the voting shares and has accordingly pulled out of the contest.

The move was made with the approval of the Takeover Panel which last week said that Unigate should revise or end its bid for Clifford's because the premium offered for the voting shares was too high.

Unigate was offering 200p cash for each voting share compared with 108p for the "A" non-voting units. Clifford's voting shares dropped from 195p yesterday to 130p after returning from suspension, while shares of Unigate were unchanged at 116p.

BTR OVERSEAS ACQUISITIONS

BTR Australia has agreed to acquire the industrial products division of Olympic Consolidated Industries. Subject to the approval of the Australian Federal Investment Review Board, the transfer will be completed on June 30.

The business, with sales of A$12m, is primarily concerned with the manufacture of conveyor belting and moulded rubber products.

The BTR group has also acquired the South African company, Lanrsen Bros. (Pty), manufacturer of the Anchor-Miltor range of locking devices for containers and trailers, and a patented fully knocked down doorframe system for industrial and construction use.

BTR's annual report for 1979 reveals that, in local currency terms, Australian profits nearly trebled while South African profits showed a 62 per cent improvement.

DAWSON MOTORS

One of the West country's biggest garage groups is to change hands in a £1m deal with an oil company. John Dawson Motors is selling five of its prime sites at Weymouth, Street, Clevedon, Dursley and Winchester. The Dorchester site is not part of the deal and the Winscombe garage has already been leased off.

At all five sites being sold, the National oil company holds the fuel and oil franchise. Dawson's refused to say whether it is National who has made the bid.

It is less than 18 months since Dawson took over the ailing Vogue Motors garages at Weymouth and Dorchester. In a multi-thousand pound development it turned the Weymouth site into a garage-cum-supermarket.

MINING SUPPLIES HAS 25% OF LAURENCE SCOTT

Mining Supplies bought further shares in Laurence Scott, the electrical machinery and control gear manufacturer, yesterday taking its total stake in the company up to 25.4 per cent.

MS, which already has a 40 per cent holding in Scott, announced on Monday that it was going into the market with an offer of 60p per share to increase its stake to 29.9 per cent—just below the level at which a bid would be obligatory.

Rowe and Pitman yesterday bought 430,000 Scott shares, representing 4.5 per cent of the equity. This brings the total purchases in the last two days up to 21.4 per cent and Rowe and Pitman will continue buying at 60p until further notice.

EMC/JOHN LAING IN JOINT VENTURE

Expanded Metal Company and John Laing have reached agreement in principle for the formation of a new company for the further development and exploitation of Blevex, which is concerned with the prevention of explosions in vessels containing liquid petroleum gases and with wider aspects of fire protection.

The new company, in which Expanded Metal and John Laing will be equal partners, will also assume responsibility for the marketing of Explosafe, an earlier development in the explosion prevention field.

Chairman of the new company will be Mr. Edgar Prentice, deputy chief executive of EMC.

INCHCAPE OFFER REMAINS OPEN

Baring Bros. states that their offer on behalf of Inchcape International, a wholly-owned subsidiary of Inchcape, for the issued share capital of Assam Investment have been accepted as to 95.85 per cent of issued ordinary capital and 81.55 per cent of the issued preference capital.

The offer remains open for acceptance until further notice. The offer for the issued preference shares is extended and remains open for acceptance until June 9, 1980.

CARLIOL AND TYNESIDE TRUSTS, UNITISATION

Shareholders of Carliol Investment Trust and the Tyneside Investment Trust will soon have the opportunity to convert their holdings into units in a unit trust.

Detailed proposals for unitising Carliol and Tyneside, which between them control assets of more than £30m were revealed yesterday. The announcement follows previous suggestions drawn up by Rothschild Investment Trust, which in January, through its subsidiary Hume Holdings and certain associates, bought 18 per cent of Carliol and 14 per cent of Tyneside. These suggestions subsequently proved impracticable.

The boards of Carliol and Tyneside say the effect of unitisation into closer relationship with that of the underlying assets."

The schemes involve Carliol's assets being transferred to a unit trust specialising in energy production and related investments, to be called Target Energy Fund. The net assets of Tyneside will be transferred to a more broadly based unit trust, to be called Target Income and Growth Fund. Target Trust Managers, a unit trust management group, is a subsidiary of Hume. Ordinary shareholders will initially receive three units in the relevant unit trust for each ordinary share held and holders of the unconvertible loan stocks will be able to participate on the same basis. The debenture stocks and cumulative preference shares will be repaid at par.

EGMs of Carliol and Tyneside will be held on June 12.

KOTMALIE VALLEY

Shareholders of Kotmalie Valley Estates Company of Ceylon approved at an extraordinary general meeting the group's acquisition of Jayplant, a UK plant hire contractor.

As a result of the completion of the acquisition the vendors of Jayplant have acquired control of Kotmalie. Some 14m Ordinary shares of 5p each in Kotmalie have been issued to the former shareholders of Jayplant.

In accordance with the requirements of rule 34 of the City code on Takeovers and Mergers, unconditional offers have been made on behalf of Mr. N. Langley-Pope and Mr. H. Musaphia, the former majority shareholders of Jayplant, to acquire the remainder of the equity.

The cash offers are 2¼p for each Ordinary share of 5p and 90p in cash for each Preference share of £1 in Kotmalie. Shareholders of Kotmalie approved the change of name of the company to Jayplant.

LAMONT DISPOSES OF SECUREX

LAMONT HOLDINGS, the Edinburgh-based investment holding company with interests in engineering, has sold its 56.2 per cent interest in Securex Pty. of South Africa, a manufacturer of plumbers' brassware.

The purchaser is Consolidated Industrial Holdings Pty. of Johannesburg, and the cash payment is about £310,000.

The appropriate underlying asset value of the shares is £190,000, and the 1979 net profit attributable to the investment was £51,000. Dividends from Securex for 1979 totalled £9,135.

BRITANNIA ARROW AND MURCHISON

Britannia Arrow Holdings and the Murchison Group have formed a joint venture company Britannia Murchison, registered in Jersey. The new company will examine possible investments and developments, particularly in property and energy, in the UK, and overseas.

SOBRANI (HLDGS.) SALE APPROVED

The resolution relating to the sale of tobacco licencee interests and the stocks of leaf and materials to Gallaher was approved at an EGM of Sobrani (Holdings) today. It is intended that completion of the transaction will be effected on May 16.

MAPLE

Retail group Waring and Gillow has bought a further 450,000 shares in its takeover target Maple and Co. (Holdings). The purchases, at 34½p per share, bring Waring's holding in Maple up to 18.3 per cent. Maple has vigorously contested the 35p-a-share bid. Acceptances are due today, but an extension is possible.

INTERNATIONAL COMPANIES and FINANCE

Former ITT chief in $1bn bid for City Investing

BY IAN HARGREAVES IN NEW YORK

MR. LYMAN C. HAMILTON, the man who last year was forced out of the chief executive's job at International Telephone and Telegraph, made a dramatic reappearance yesterday when his new company offered more than $1bn to take over City Investing.

City Investing, a creature of the 1960s conglomerate boom in the U.S., with annual sales in excess of $5bn and extensive interests in Europe, said its board would study the offer on Friday.

Mr. Hamilton left his chief executive's post with ITT last July, after what were described as "policy differences" with the board. He had held the $800,000 a year job for only 18 months and was said to have fallen out of favour with Mr. Harold Geneen, ITT's chairman.

In January, Mr. Hamilton made a brief announcement that he had joined Tamco Enterprises as chairman and president, and that the recently formed company intended to make itself into a major, multi-industry company.

The first step in that grandiose design came yesterday, when Tamco offered $30 a share for City Investing, a company whose sales have multiplied tenfold in the last decade as it made the transition from being a sleepy property company to an aggressive industrial conglomerate.

Its worldwide manufacturing interests, involving the manufacture of steel and plastic containers, is organised under the Rheem Manufacturing Gronp. It's British oparation is known as Rheem Blagden.

City Investing is also a major insurance company, drawing 37 per cent of its sales from that area. It operates internationally through the Afia worldwide insurance Group, of which City has a 20 per cent share.

The proposed deal brings together three individuals of contrasting style, but whose backgrounds are in some respects similar.

Mr. Hamilton, a smooth and lucid individual of 53 spent 17 years at ITT following a successful career with the World Bank. Although he left ITT under a cloud, carrying some of the blame for the confusion in ITT's European operations, he was considered by many a highly able executive whose style clashed with the rawer methods of Mr. Geneen.

His partner at Tamco Enterprises, which is based in New York and which currently employs fewer than 100 people, is Mr. Victor Goulet, a Greek American in his late 30s who has expanded his family's Chicago-based property interests into a property empire in 40 cities in the U.S. He is joint owner with Mr. Hamilton of Tamco and it seems likely that his property would provide the financial base from which the takeover attempt is being made.

Thirdly there is Mr. George Scharffenberger, 61, chairman of City Investing and the man who led it from its sleepy days in the 1960s to what it is today. Mr. Scharffenberger also spent 20 years at ITT, before joining Litton Industries, the West Coast electronics and machine tool conglomerate, reaching City Investing in 1968.

It is likely, although it could not be confirmed yesterday, that he knows Mr. Hamilton personally. He has also in recent months repeatedly expressed an interest in retiring from City Investing.

Credit squeeze hits profits at K mart

By David Lascelles in New York

FIRST QUARTER results from the large U.S. retailers showed sharp drops in earnings due to weakening consumer purchasing power and official credit curbs.

K mart, the large chain store group, reported a 13 per cent decline in profits, from $45.6m or 37 cents a share to $39.6m or 32 cents a share. The company said inflationary pressures had taken their toll on administrative and general expenses, and it expects sales for the rest of the year to be affected by the general weakness of the economy.

Safeway, the supermarket chain, also predicted that second quarter earnings this year will probably not exceed those of the same period last year—$42.5m equal to $1.63 a share—though it did not give any specific figures.

F. W. Woolworth, despite a poor trading performance, reported a sharp gain in earnings, from $8.6m ($0.27 a share) to $25.8m ($0.84) in its April 30 quarter. However, the gain was largely accounted for by a tax refund to the parent company from Woolworth's 52.7 per cent-owned UK subsidiary of $20m. There were also large foreign currency translation gains.

Excluding these items, pre-tax income in the fiscal first quarter fell to $990,000 from $13.8 a year earlier.

Lucky Stores, the food chain, saws its first quarter net profit advance from $17.7m to $18.58m. Last year's comparative total was reduced by $3m from the previously recorded figure because of a change to Lifo accounting.

U.S. Shoe tops forecast

By Our Financial Staff

A 25 PER CENT fold increase in net earnings to $6.2m for the third quarter lifts U.S. Shoe well above analysts' forecasts for the year-end. At the nine-month stage the group, a specialty retailer of clothing as well as shoes, shows net earnings of $28.1m or $3.96 a share against $25.3m or $3.60, with sales at $714.3m, compared with $628.5m.

Wall Street has been predicting on earnings gain of 6 per cent, and expects consumer spending to remain strong despite the signs of recession in the U.S. economy. Over the longer term, U.S. Shoe is expected to benefit from its specialty retailing operations and the opening of aditional shoe outlets.

Second quarter earnings rise at Hewlett-Packard

BY OUR FINANCIAL STAFF

INCREASED ORDERS from overseas have helped Hewlett-Packard, the world's largest manufacturer of electronic measuring equipment, to hold its projected course for the current year. The second quarter has brought a rise in net earnings from $50m or 85 cents a share to $65m or $1.09. Sales of $754m compared with $555m last time.

This lifts the earnings total for the first half to $119m or $2.00 a share against $95m or $1.61, with sales of $1.42bn.

Wall Street analysts have predicted that the year end will show earnings of $4.03 compared with last year's $3.43.

Mr. John Young, president and chief executive officer, said that "while the rate of growth of domestic orders has slowed as anticipated, the 36 per cent increase in international orders indicated continued strength in many key overseas markets."

QUEBEC EXPROPRIATION BID

Battle for Asbestos hots up

BY IAN RODGER

WHILE MOST Canadians are preoccupied this week with the Quebec sovereignty referendum, the minority shareholders of Asbestos Corporation face new worries about the Quebec Government's 32-month struggle to buy their company.

Two weeks ago, they were given a sudden fright when the Government announced it was buying another asbestos producer, Bell Asbestos Mines, from Turner and Newall for C$35.5m (U.S.$30.34m). Shares of Asbestos Corporation promptly fell C$4 to C$32 as some shareholders apparently concluded that the Government would drop its bid.

Announcing the Bell purchase, MBr. Jacques Parizeau, Quebec's Finance Minister, mischievously contributed to this impression by observing that Quebec had finally realised its objective of owning an asbestos mine.

However, the Bell mine is relatively small and the Government believes it has to join the Producers' club on a bigger scale as a prerequisite to causing more fibre to be upgraded before it leaves the Province. Quebec produces 35 per cent of the world's asbestos but only 3 per cent of its output is upgraded within the Province.

Fr. Daniel Perlstein, president of the Government's Société Nationale de l'Amiante confirmed last week that the bid for Asbestos Corporation is still on.

Indeed, another major development is expected any day. Last month, the Quebec Superior Court finally heard arguments on Asbestos Corporation's claim that the Government's expropriation legislation is unconstitutional. Ordinarily, a judgment would have come fairly quickly but the case has emotional political overtones and it is widely believed that Judge Jules Deschenes decided to wait until the referendum was over before revealing his decision.

Asbestos mining has been a sensitive issue in Quebec since 1949 when a young Mr. Pierre Trudeau participated in a landmark strike against the industry that exposed a corrupt provincial government in league with big foreign companies in exploiting French-Canadian labour. More recently, the incidence of respiratory disease in the Thetford Mines area has aroused concern over dust control measures taken by producers.

When the nationalist Parti Québecois government came to power in the province in November 1976, one of its first commitments was to make this industry provide more benefits for Quebec. In October 1977, it announced that it would buy all the shares of Asbestos Corporation, one of the largest producers. It proposed to negotiate the purchase of the 54.6 per cent controlling block held by the U.S. aerospace group, General Dynamics and then offer the same terms to the minority shareholders.

The shares roughly doubled in value in response to the announcement and maintained their premium for several months despite repeated noises from General Dynamics that it was not interested in selling.

The Quebec Government's plan to buy the assets of Asbestos Corporation from its controlling parent, General Dynamics of the U.S., is moving towards its climax in the courts. The decision is expected after the outcome of the referendum on the issue of Quebec sovereignty

A peak of C$53.25 was achieved in December, 1978, just as the Government was about to introduce expropriation legislation in an attempt to speed up negotiations. At the same time, it emerged that the Government's financial consultants had established a fair value of about C$119m for the company or C$ a share while General Dynamics' advisors suggested C$100.

Attempts were made over the next few months to bridge the gulf — but Mr. Maurice Taschereau, president of Asbestos, admitted that General Dynamics was dragging its feet in the hope that the outcome could be delayed until after the next provincial election when, he hoped, the Parti Québecois would be defeated by the less strident Liberals. The shares slid back to the C$45 range.

The Government then passed its Expropriation Bill to increase the pressure but that did not work either. Last September, it published what it called a firm and final offer to General Dynamics of C$42 a share, leaving the strong impression that if it were not accepted, expropriation proceedings would begin immediately.

Asbestos Corporation rejected the offer and sued the Government, alleging that it did not have the power to strip a federally-chartered company. It also said the expropriation legislation was void because, like most other laws passed by the Parti Québecois Government, it was adopted in the French language only.

The matter has been tied up in the courts ever since, although the language question was resolved by a separate Supreme Court of Canada ruling, obliging Quebec to adopt all its legislation in English as well as French.

However, the political climate has changed somewhat, with the Parti Québecois seeing a resurgence of its popularity regardless of its fortunes in this week's referendum. A general election is due within 18 months.

And the purchase of Bell earlier this month, on freely agreed terms, has set a precedent of which the arbitration committee provided for in the expropriation legislation would have to take account.

The evaluation of Bell shares in the purchase works out to the equivalent of C$43 for Asbestos Corporation shares, Mr. Parizeau claims.

But Asbestos Corporation and General Dynamics are still talking tough. At the Asbestos Corporation AGM last week, Mr. Guy Fiske, vice-president of General Dynamics and chairman of Asbestos Corporation, blasted the Government for refusing to consider alternatives to expropriation. He claimed that Quebec had "inexorably forced Asbesto into the one place where the rights of all citizens are protected—the courts."

Brazil taps Euromarkets for another $200m credit

BY PETER MONTAGNON

BRAZIL is seeking another $200m Eurocredit, proceeds of which are to cover local costs of the Itaipu hydroelectric project on the border with Paraguay.

Swiss Bank Corporation is managing the credit. It is divided into two $100m tranches, one of which is to be retained by Swiss banks while the other is being offered for general syndication.

The Swiss tranche has a life of 10 years, with eight years grace, and a margin of 0.95 per cent over Libor. Brazil, which is guaranteeing the operation, thus scrapes by with a margin of below 1 per cent. Other Swiss banks involved are Crédit Suisse, UBS and Swiss Volksbank.

The second tranche is also for 10 years, but this time the grace period is only five years and the margin has been set at 1⅛ per cent throughout. This makes it fractionally more attractive than the 10-year tranche on the current Banco Nacional do Desenvolvimento credit with its split margin of 1-1⅛ per cent.

About 350 banks have been invited to join the credit. Manager status is offered for banks committing $10m, co-manager status for $5m. The front-end fee is 1⅛ per cent.

Swiss banking involvement in the deal stems from the fact that a major supplier to the project is the Swiss engineering group Brown Boveri. Export financing in Swiss francs has also been arranged to cover these contracts, but details are not being disclosed.

This is the third major syndicated credit to be raised by Brazil this year amid expressions of concern in the banking community that the country is being unrealistic in its demand for low spreads.

CNT Yankee issue postponed

BY OUR EUROMARKETS STAFF

STRAIGHT dollar Eurobonds fluctuated narrowly yesterday to finish with net gains of about ¼ point. Trading was much brisker than of late, though there was no particular price trend.

The market appears to be consolidating at levels somewhat below its recent peak, and this has caused new issues arranged at its strongest level to slip below their issue price. Anheuser-Bush, for example, entered secondary market trading yesterday to be quoted at around 97¼, two points below its issue price.

The $125m Yankee issue for CNT has been postponed because of market conditions.

The new FRNs have been announced, however. One is $50m over five years for the National Bank of Hungary. Indicated terms provide for a spread of ⅛ per cent over Libor. Lead managers are Amex Bank and Kuwait International Investment Company. The Central Bank of Costa Rica is also raising $50m over five years at an indicated margin of ⅞ per cent with a minimum coupon of 6⅛ per cent. Manager is European Banking Corporation.

Strong headway by AM International

By Our Financial Staff

AM INTERNATIONAL, the management systems equipment manufacturer, reports a sharp gain in operating profits for its third quarter ended April 30. The operating net rose to $4.83m or 57 cents a share from $1.16m or 14 cents in the third quarter of 1978/79. Turnover was $239.5m against $188m.

For the nine months operating net was $791,000 or 9 cents a share compared with $8.39m or $1 in the previous comparable period, on sales of $659.1m against $542.8m.

The company said third quarter income was increased by $800,000 from the sale of certain equipment it had been renting. There was also a foreign exchange gain equal to 26 cents a share. However, the gain was largely offset by sharply higher interest costs.

Setback for Northwest Airlines

MINNEAPOLIS — Northwest Airlines expected to post a loss in the second quarter but saw a strong third quarter, Mr. M. Joseph Lapensky, president and chief executive, said. He added, however, that it was too early to tell whether the airline would record a profit for the years.

In 1979 Northwest had net income of $72.47m or $3.35 a share on revenue of $1.3bn.

Mr. Lapensky said the reasons for the expected second quarter loss and the uncertainty for the year was the continuing rise of jet fuel prices and the slowdown of airline traffic because of the recession.

AP-DJ

Sharp advance at IMASCO

By Our Financial Staff

IMASCO, the Canadian tobacco, food and wine group, lifted net earnings by 21 per cent to C$68.23m (U.S.$58.32m) or C$6.61 per share for the year ended March 31 compared to C$5.64 for the previous year. Sales rose by 9 per cent to C$1.72bn.

The group is increasing its regular quarterly dividend to 60 Canadian cents a share, from 50 Canadian cents.

It is also recommending to shareholders that its common shares be split two-for-one from July 31.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month. Closing prices on May 20

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alcan of Australia 10 89	60	90¾	91	0	−0¼	11.70
Australian Res. 9¾ 84	30	93½	94	0	−0¼	11.56
Beneficial Fin. 9½ 87	100	89¼	89¾	+0¼	−0¼	12.00
CECA Grad. Rate 12 86	100	94⅞	95⅜	+0¼	+0¼	13.03
CECA 11½ 90	50	96⅝	97⅛	+0¼	+0¼	12.12
Canadian Pacific 9¾ 89	50	90⅛	90⅝	−0⅛	−0⅛	11.47
Carter Hawley 9¾ 86	50	89¾	90¼	−0⅛	+0¼	12.18
Continental Grp. 9⅝ 88	100	90¼	90¾	−0⅛	−0¼	11.88
Dome Petroleum 10 94	54	82¾	83¼	−0¼	−0⅛	12.65
Dome Petroleum 13½ 92	50	99¼	99¾	−0⅛	0	13.60
Dominion Bridge 10¼ 84	30	92½	93	−0⅛	−0¼	12.62
EIB 11¼ 92	80	96	96½	−0⅛	0	12.35
EIB 13¾ 90	100	105¾	106¼	0	−0¼	12.68
Ekportin 11¼ 87	50	97⅛	97⅝	0	−0⅛	11.81
Export Dv Cpn. 9¾ 84	150	93⅞	94⅜	−0⅛	−0¼	11.53
Export Dv Cpn. 12¼ 87	100	103⅞	104⅜	−0⅛	−0⅛	11.90
Federal Dev. Bk. 12⅞ 85	75	101	101½	−0⅛	−0⅛	11.90
Finland 9¾ 89	100	†85¼	86¼	0	−1	12.58
George Weston 13¼ 87	30	97⅞	98⅜	+0¼	−0¼	13.99
GTE Finance 9¾ 89	55	85¼	85¾	−0¼	−0¼	12.47
GMAC 9¾ 89	75	90¼	90¾	−0⅛	−0¼	11.50
GMAC O/S Fin. 11 84	100	97⅞	98⅜	−0⅛	0	11.58
GMAC O/S Fin. 13¾ 85	100	104	104½	0	−0¼	12.16
Kennecott Int. 9¾ 86	100	83¾	84¼	−0¼	−0⅛	13.53
McGraw 13½ 85	75	97⅞	98⅜	0	+0⅛	14.11
Michelin 10 94	125	86¾	87¼	−0⅛	−0⅛	11.85
Nat. Des. Telecm 9¾ 86	100	91⅛	91⅝	0	−0¼	11.48
New Brunswick 9¾ 94	75	84¾	85¼	−0⅛	−0⅛	12.02
Newfoundland 10 94	50	88⅞	89⅜	0	−1⅛	11.65
Norway 9¼ 84	150	94	94½	0	−0⅛	11.38
Nova Scotia Pwr. 9¾ 89	50	88⅞	89⅜	−0⅛	−0¼	11.80
Pennwalt O/S F. 9¾ 84	25	91⅝	92⅛	−0⅛	−0¼	12.38
Pepsico Cap. 9¾ 84	100	94⅛	94⅝	0	−0¼	11.04
Quebec Hydro 10 99	75	80⅞	81⅜	−0⅛	−0⅛	12.69
Sears Roebuck 9 82	150	96⅛	96⅝	−0⅛	−0⅛	11.53
SNCF 12½ 85	50	101⅞	102⅜	−0⅛	−0⅛	11.78
Statoil 9¼ 89	100	89	89½	−0⅛	−0⅛	11.57
Swed. Ex. Cred. 12½ 85	40	100⅝	101⅛	−0⅛	−0¼	12.24
Sweden 9¾ 89	100	89⅛	89⅝	0	−0¼	11.73
Sweden 9¾ 84	100	94⅛	94⅝	−0⅛	−0⅛	11.43
Unilever NV 9¾ 87	100	90⅛	90⅝	−0⅛	−0⅛	11.27
Warner-Lambert 9 84	100	92⅞	93⅜	+0⅛	+0⅛	11.18

Average price changes On day −0⅛ on week −0¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 90	200	107⅞	108⅜	+0¼	+0¼	8.72
Australia 8½ 90	250	99¾	100¼	+0¼	+0¼	8.15
BFCE 7½ 87	100	98	98½	+0½	+1¼	8.06
BFCE 8½ 85	100	96⅛	96⅝	+0¼	+0¼	8.64
Brazil 8 87	150	91⅛	91⅝	0	−1	9.58
CECA 7 91	150	91⅛	92⅛	−0⅛	−0⅛	8.17
Council of Eur. 7¾ 89	100	93⅛	94⅛	+0¼	+0¼	8.26
Denmark 7¾ 86	100	96⅞	97⅜	+0¼	+0¼	8.63
Denmark 8¼ 92	100	97⅞	98⅜	−0⅛	+0⅛	8.48
FEC 7¾ 94	225	85⅞	86⅜	+0¼	+0¼	9.35
EIB 7½ 89	200	93⅞	94⅛	+0¼	0	8.43
Finland Rep. of 6 86	150	88½	89	0	+0¼	8.63
Kobe, City of 7¼ 89	150	93¼	94¼	−0⅛	+1	8.09
Nedor. Gasunie 6 86	100	99⅝	100⅛	−0⅛	+0¼	7.98
New Zealand 7½ 87	200	95⅝	96⅛	−0⅛	+2	7.95
Norway 7½ 85	250	98⅛	98⅝	+0¼	+0¼	7.88
OKB 7¾ 89	100	92⅞	93⅜	+0¼	+0¼	8.48
Oslo, City of 8¾ 90	80	100⅞	101⅜	+0¼	+1	8.60
Sweden 8¾ 87	200	104⅞	105⅜	+0¼	+0¼	8.69
World Bank 7¾ 91	400	94⅞	95⅜	+0¼	+0¼	8.42
World Bank 7¾ 90	250	96⅛	96⅝	+0¼	+0¼	8.41
World Bank 10 86	190	107⅞	108⅜	+0¼	+1¼	8.19
World Bank 10 90	200	108⅞	109⅜	−0¼	+0¼	8.63

Average price changes On day +0¼ on week +0¼

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Argentina 5½ 89	80	92½	93	−0¼	−3½	6.58
Aumar 5 89	60	93	93½	−0¼	−0¼	5.98
Australia 3½ 89	250	89⅛	90¼	0	0	5.06
Bergen, City of 4¾ 91	40	†92	92½	+0¼	+1	5.71
ENDE 5 89	75	87½	87¾	0	+0¼	6.88
BMW Overseas 4¾ 91	100	91¼	91⅝	+0¼	+0¼	5.84
Buhrm'n-Tetterode 7 90	40	104¼	104¾	0	0	6.39
Caisse Nat. Tele. 8¼ 89	100	91⅛	92	−0¼	−0¼	5.52
CCCE 5¼ 90	100	100⅝	101	−0¼	−0¼	5.64
Copenhagen 4½ 91	60	†87	87½	−0½	−0¼	6.09
Council of Eur. 5 89	100	92	92½	−1	−2	6.09
EIB 4½ 91	100	91	92	+0¼	+0¼	5.54
EIB 4¾ 94	100	86½	87	−0¼	+0¼	5.76
Elet. de France 4¾ 89	100	92¼	93¼	0	−0¼	5.39
GZB 4¾ 89	100	88¾	89½	−0¼	0	5.77
Hilti 4½ 91	35	93	93½	−0¼	+0¼	5.04
Int.-Amer. Dev. 4½ 89	100	88¾	89¼	−0¼	−0¼	6.09
Int.-Amer. Dev. 7 90	80	105	105½	+0¼	+0¼	6.27
Jutland Tele 4¾ 90	60	100	100½	−0¼	−0¼	5.46
Malaysia 5 89	80	†87½	88	−1½	−0¼	6.80
Nippon Tel. & T. 4¾ 89	100	91½	92	−0¼	−0¼	5.39
Nordic Bank 5 89	45	97⅞	98⅛	−0¼	+0¼	5.28
Norges Komm. 4¾ 91	100	88⅛	88¾	0	+0¼	6.70
OKB 4½ 91	100	89⅛	88⅞	−0¼	0	6.78
OKB 5 90	100	103⅛	103⅝	−0¼	+0¼	5.51
Oslo, City of 4½ 91	100	86½	87	−0¼	−0¼	6.11
Shikoku El. Pwr. 4¾ 89	100	93⅛	93⅝	−0¼	−0¼	5.67
Stoweag 4½ 91	60	93	93½	−0¼	−0¼	5.58
Voest-Alpine 4¾ 89	90	92½	93	−0¼	−1	5.80
World Bank 4¾ 89	100	92½	93	−0¼	−0¼	5.65
World Bank 4¾ 89	150	92½	92½	+0¼	+0¼	5.43
World Bank 4¾ 91	100	†91½	92	0	−0¼	5.62

Average price changes On day −0¼ on week −0¼

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.6 85	30	90⅞	91⅜	0	+0¼	8.83
Australia 6¾ 88	20	85⅛	85⅝	0	+0¼	8.14
EIB 7¾ 86	12	91⅞	93⅛	−0¼	+0¼	8.92
Finland 5.8 83	10	90	91	0	0	8.93
Finland 6.8 88	10	85⅛	85⅝	0	0	8.35

Average price changes On day 0 on week +0¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10¾ 88 C$	60	92⅞	93⅜	0	+0¼	12.34
CIBC 13¼ 85 C$	50	101⅞	102⅜	−0¼	0	12.89
Cr. Foncier 10¾ 84 C$	30	89⅞	90⅜	+0¼	+1¼	13.41
Fst. Can. Inv. 10 84 C$	50	92¾	93¼	−0⅛	+1	12.37
Hudson Bay 10¼ 90 C$	60	89¾	90¼	−0¼	−1	12.41
Quebec 10¼ 88 C$	50	91	93	0	−2	12.22
R. Bk. Canada 10 86 C$	40	89⅞	90⅜	−0¼	−1½	12.43
R. Bk. Canada 10 94 C$	40	87⅞	88⅜	−0¼	−1¼	11.81
Tordom Cpn. 13½ 85 C$	30	102	102½	−0⅛	−0⅛	12.86
M. Bk. Dnmk. 9 91 EUA	25	94⅞	95⅜	+0¼	+0⅛	8.73
SOFTE 8¼ 89 EUA	40	83½	85	0	+0¼	11.12
U. Bk. Nrwy. 9½ 90 EUA	18	97⅜	98⅜	0	+0¼	9.88
Algemene Bk. 8½ 84 Fl	75	97⅜	98	+0¼	0	8.88
Ned. Gasunie 8¾ 84 Fl	50	98¾	98⅞	0	−0¼	9.15
Ned. Middbk. 8¾ 84 Fl	75	95⅞	96⅜	+0¼	−0¼	9.48
Norway 8¾ 84 Fl	100	96⅞	97⅜	0	−0¼	9.20
Norway 8¾ 84 Fl	100	96½	97	−0¼	−0⅛	9.16
Philips Lamps 8¾ 84 Fl	75	96½	97	+1¼	+0⅛	9.31
Air France 11 84 FFr	120	95¾	96¼	+0¼	+1¼	12.20
CECA 14¾ 88 FFr	150	103⅞	104⅜	0	+0¼	13.14
Euratom 9¾ 87 FFr	150	84	84½	−0¼	−0¼	13.30
Finland 11 84 FFr	80	93⅞	94⅜	−0⅛	0	12.74
Finland 11½ 88 FFr	70	91½	92½	−0⅛	+1¼	12.99
Gaz de France 11 84 FFr	150	95¾	96¼	−0⅛	+1¼	12.17
IBM France 11¼ 84 FFr	120	86¾	97¼	0	+1¼	12.69
Renault 9¾ 85 FFr	100	84⅞	85⅜	0	0	13.94
Saint-Gobain 9¾ 86 FFr	130	84⅛	84⅝	−0¼	0	13.71
Salvay et Cie 9¾ 87 FFr	125	81⅜	82⅞	0	+0½	13.90
Citicorp O/S 13½ 90 £	50	96⅞	97⅜	−0¼	+0½	14.05
EIB 11½ 91 £	25	87⅞	88⅜	−0⅛	−0¼	13.70
Finance for Ind. 13 91 £	15	96⅞	97⅜	0	+1	13.57
Fin. for Ind. 12½ 89 £	30	94⅝	95⅛	−0¼	+0¼	13.47
Fin. for Ind. 14½ 88 £	20	100⅞	101⅜	−0½	−0¼	14.27
Gen. Elec. Co. 12½ 89 £	50	94⅞	95⅜	−0¼	+0¼	13.51
Swed. Ex. Cr. 13½ 85 £	20	101⅜	102⅛	−0¼	−0¼	14.59
Indonesia 8¾ 91 KD	7	†93	93½	0	0	9.76
Mitsubishi 7½ 84 KD	10	†91⅞	92	0	−0¼	10.02
Norges Kom. 7½ 89 KD	12	†93⅛	93⅞	0	0	8.64
Occidental 8¾ 91 KD	7	†90⅞	90⅞	0	0	9.69
Akzo 9¾ 87 LuxFr	500	92⅞	93⅞	+0½	0	10.69
Euratom 8 87 LuxFr	500	87⅞	88⅞	−0¼	−0¼	10.57
Euratom 9¾ 88 LuxFr	500	97⅞	98⅞	−0½	−0¼	10.04
EIB 9¾ 88 LuxFr	600	97⅞	98⅞	+0¼	+0¼	10.04
Volvo 9¾ 87 LuxFr	500	97½	98½	−0¼	0	10.12

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bk. 5¼ 87	0¼	97⅞	98¼	2/7	15⅛	15.46
Banca di Roma Int. 6 87	0¼	99⅞	100⅛	26/10	15.31	15.33
Bank of Ireland 5¾ 89	‡0¼	97⅛	97⅞	21/8	11.81	12.10
Bank of Tokyo 5¾ 89	‡0¼	97⅞	98⅛	25/10	18.56	10.88
Barclays O/S Inv. 5 90	0¼	97⅛	98⅛	13/6	14⅛	14.56
Bergen Bk. A/S 0 89	‡0¼	96⅞	97¼	29/5	17⅝	17.78
Bque Indo Suez 5¾ 89	0¼	96⅞	96⅞	11/7	14.69	14.89
Citicorp O/S F. 0 94	‡0¼	99	99½	8/0	18.81	18.95
Citicorp O/S F. 83	§‡0	99	99½	23/5	16.06	16.18
Citicorp O/S F. 84	‡0	99	99½	30/5	10.94	17.07
C. Itoh 5¾ 87	0¼	100⅞	101⅜	18/8	19.44	19.25
Co-operative Bk. 6 86	0¼	97½	98	15/11	11.44	11.70
Creditanstalt 5½ 91	§‡0¼	98⅛	99	14/8	12.44	18.67
CNT 5¾ 85	§0¼	101	101½	16/10	18⅛	17.90
GZB 5½ 89	‡0¼	98⅛	99	1/8	10⅛	15.44
Jugobanka 8 89	0⅞	90⅞	91¼	23/5	16	17.83
Ind. Bank Japan 5¾ 87	0¼	100⅞	101⅜	15/10	18⅛	18.54
LTCB Japan 5¾ 86	0¼	98	98½	13/6	14⅛	14.50
LTCB Japan 5½ 89	0¼	97⅛	97⅞	7/0	14.19	14.55
Mfrs. Han. O/S 5¾ 94	‡0¼	98⅛	98⅞	30/5	17⅛	17.36
Midland Intl. Fin. 5 89	0¼	99⅛	99⅝	20/8	15	15.09
National Fin. 6¼ 86	0¼	98⅞	98⅞	26/7	14.69	14.91
Nat. West. 5¼ 94	§0¼	101⅞	101⅞	11/10	12⅛	18.33
Nippon Credit 6¼ 86	0¼	97⅞	98⅛	12/7	14.44	14.75
Nippon Credit 5½ 87	‡0¼	97½	98	0/8	14⅛	14.71
Royal Bk. Scot. 5¼ 94	§‡0¼	99⅛	99⅞	11/7	19⅛	19.60
Soc. G. de Bque. 6½ 87	0¼	101⅜	102⅛	3/10	20.06	19.67
Sogenal 5¾ 89	§0¼	97⅞	98	13/7	14.44	14.77
Standard Chart. 5¾ 90	0¼	100⅛	100⅞	6/9	17⅛	17.10
Sweden 8¾ 91	‡0¼	97⅞	98⅛	18/10	10⅛	19.01
TVO Pwr. 9 91 (D-lock)	0¼	96⅞	96⅞	24/5	15.31	15.87
Williams & Glyn 5¾ 91	0¼	89⅞	100⅛	14/0	18⅛	16.48
Bq. E d'Alg. 4¾ 89 SF	0¼	86½	87	18/6	6.69	7.71

Average price changes.. On day 0 on week −0¼

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
AGA Akt'bolag 7¾ 89	10/78	145	†112	113	0	−8.34
Ajinomoto 7¾ 95	2/80	618	98⅛	99	+2½	0.06
Alco Int. Fin. 9¼ 94	1/80	40	90½	91½	+0¼	30.56
Asahi Optical 7 94	11/79	605	96⅞	97⅛	+1⅛	17.39
Canon 6¾ 94	8/79	570	104⅞	105⅜	+0¼	1.19
Credit Suisse 4½ 93	10/79	1325	100⅛	101⅞	+0¼	4.34
Daiei Inc. 6½ 94	11/79	1020	95⅞	95⅞	+1⅛	38.80
OBKK 11 90	4/80	324	110⅞	110⅞	+2	7.05
Dynalectron 9¾ 95	8/80	12.22	96⅞	97⅛	—	3.50
Ensearch Fin 9½ 94	7/80	30.25	102⅛	102⅞	−0⅛	12.25
LPC Internatnl. 8 89	9/79	23.33	†93⅛	95	0	29.34
Meidensha Elec. 7 94	12/79	210	98	98⅛	+1⅛	16.27
Mitsubishi Co. 6¾ 94	10/79	604	121⅛	123	+1⅛	13.76
Nippon Seiko 7¾ 94	12/79	339	†106⅛	107⅛	+1⅛	3.36
Nitto Elec. Ind 6 94	7/79	735	75⅛	76⅛	+2⅛	7.84
Toshiba Corp. 7¼ 94	10/79	198	96⅞	97⅛	+1⅛	1.55
Union Bk. Switz 5 89	2/80	125	93	95	−0⅛	2.17
Fujitsu 5 84 DM	7/79	475	101⅛	102	+0¼	11.44
Kansai Elec. 4 84 DM	4/79	1224	86⅛	87⅛	p	44.08
Tokyu Ld. Co 4 86 DM	4/79	493	77⅛	78⅛	+0⅛	42.68
Uny Co. 6½ 85 DM	11/79	1071	93⅛	94	+0⅛	45.51

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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Lafarge expects earnings growth to be maintained

BY DAVID WHITE IN PARIS

LAFARGE GROUP, the world's number three cement producer, yesterday confirmed an increase of more than 30 per cent in 1979 net profits and forecast another large rise for this year.

M. Olivier Lecerf, chairman, told journalists that although the outlook was still uncertain, the first four months suggested that the rate of profit growth might be maintained. Last year's consolidated net earnings climbed to FFr 287.5m ($68.5m) from FFr 220.1m on sales 22 per cent higher at FFr 7.98bn.

M. Lecerf said there were signs that cement sales in France, which has dropped by 14 per cent since 1974, might start growing again. Last year the decline slowed to 0.2 per cent from 3.4 per cent in 1978. On the world market, the group was "well placed" to exploit an expected rise in cement sales during the 1980s from 900m to 1.4bn tonnes—an expansion centred mainly in developing countries.

The weak growth area in 1979 was North America, where the group's subsidiary, Canada Cement Lafarge, ranks as the biggest cement producer. A predictable drop in exports to the U.S. in the first four months of this year was not fully offset by growth in Canadian sales, which were 11 per cent up.

Last year, CCL's contribution to the group's results declined, largely because of foreign exchange losses, M. Lecerf said. Without exchange factors, the group's share of CCL's net profit would have risen by 77 per cent to FFr 49.5m.

Group turnover outside France last year dropped to 39 per cent of the total from 49 per cent, partly because of the sale of a subsidiary in Senegal and a sanitaryware offshoot, Rokal, in West Germany. Net earnings from abroad fell to FFr 69.5m from FFr 93.3m, making up only 24 per cent of overall profits compared with 42 per cent last year. Exports made up 13 per cent of total sales.

All of Lafarge's non-cement operations produced profits, including its sanitaryware sector, which moved from a FFr 3h loss to a profit of FFr 10m.

Although the offshoots accounted for a slightly smaller proportion of turnover—34 per cent compared with 36—their contribution to profits rose to 27 per cent from 19.

M. Lecerf said Lafarge would build up the main elements of its diversification programme, but it would get rid of those sectors which it could not make competitive. Lafarge is in the process of selling its important packaging subsidiary, Lafarge Emballage.

Profits dip at Societe Generale

By Terry Dodsworth in Paris

SOCIETE GENERALE, the third ranking of the big three nationalised French banks, suffered an 18 per cent drop in net consolidated profits last year to FFr 821m ($195m) from FFr 1bn in 1978.

In a short statement yesterday, the bank gave no explanation for the decline which came after tax of FFr 314m against FFr 334m. Consolidated balance sheet total rose by 22.5 per cent to FFr 341bn while capital and reserves went up to FFr 7bn compared with FFr 6.6bn in 1978.

The result suggests that Societe Generale suffered particular pressure on margins in France, although it also said earlier this year that it would be taking in lower exceptional gains. Net profits contributed by foreign interests amounted to 21 per cent of the total, although only 11 per cent of the group workforce is based outside France.

Earlier this year, Societe Generale announced plans to raise equity funds on the French stock market, thus bringing its total non-state shareholding to 12.5 per cent.

Roche sees further progress

BY JOHN WICKS IN ZURICH

PROFITS OF the Hoffmann-La Roche pharmaceuticals group should show a slight improvement this year. Mr. Fritz Gerber, parent-company chairman, said the most optimistic projection leads the group to expect a 10 per cent increase.

Last year Roche booked 1 per cent growth in net profit to SwFr 61.0m ($36.56m), from which the board intends to distribute an unchanged dividend of SwFr 550 per share. For the twin groups, headed by the Basle parent and its Canadian holding subsidiary, Sapac Corporation, net income improved 8.9 per cent to SwFr 219m.

Although results continue to be affected by the exchange rate situation, Swiss franc sales of the Roche/Sapac groups were up by 10.5 per cent in the first four months of 1980, following the 7.2 per cent increase during calendar 1979 to SwFr 5.19bn ($3.11bn). All divisions contributed to the fourth month improvement. Mr. Gerber reported an overall improvement of capacity use within Roche, as well as price increases in some sectors and successful limitation of costs.

The group, he said, is aproaching the end of a period of large-scale investment programmes. These have involved new capacities in the U.S., to which just under a half of last year's SwFr 528.4m capital expenditure was directed. Other investments were in Western Europe and in Latin America and Asia.

A number of possible acquisitions are being investigated, but Mr. Gerber said no decisions could be expected in the ext few months. Roche's acquisition policy would be aimed at expanding and complementing existing operations.

A breakdown of Roche/Sapac sales shows a continued emergence of non-pharmaceutical activities. In 1979, some 45 per cent of turnover was accounted for by pharmaceuticals and finished vitam products compared with 60 per cent in 1975.

Roche has paid or agreed to pay L67.7bn so far in compensation for an explosion at a plant at Seveso in Northern Italy in 1976. So far L19.7bn had gone to individuals or companies

French drugs groups plan merger

By Our Paris Staff

A FURTHER step towards creating a large, French-based pharmaceuticals company has been taken with an outline agreement for a merger betwcne Sanofi, the company developed by the oil group, Elf Aquitaine, and CM Industries.

The boards of the companies are agreed on an amalgamation and this has also been approved by the relevant government authorities, who are keen to promote French activities in what is seen as a high growth sector.

Sanofi, wihch has grown rapidly in recent years, and recently gained a separate stock market quotation, had a turnover last year of about FFr2.9bn ($690m). Some FFr1.7bn of this was in pharmaceuticals and most of the remainder in cosmetics.

CM Industries had sales of FFr2.3bn of which FFr1.3bn was in pharmaceuticals, the rest being conentrated on food products such as biscuits and chocolates.

The two groups estimate that their combined sales this year in pharmaceuticals could reach FFr5.3bn.

Both sides have stressed that research aspects of the prospective deal. Together they would absorb an R and D budget of around FFr300m.

Sharp recovery for Toyo Bearing

BY RICHARD C. HANSON IN TOKYO

NTN TOYO BEARING, one of the big four Japanese bearing makers, has reported a sharp recovery in net profit, up 292.4 per cent to Y3.35bn ($14.69m), for the year to March 31, as sales to the motor industry continued strong and a much weaker yen added to export profitability.

Sales in the year rose by 26.1 per cent to Y149.1bn ($652m), while exports (24 per cent of sales) jumped more than 50 per cent. The parent company statement excludes NTN's five overseas plants, all of which were reported to be running at full capacity.

The biggest boost to domestic sales came from production for the motor industry, which itself enjoyed a strong performance. About 45 per cent of the bearings the company makes for domestic users are sold directly to the big car manufacturers. In addition, sales of constant velocity ball joints, needed to produce front-wheel drive cars, increased sharply. NTN holds an exclusive licence for Japan from the GKN group in the UK.

To meet the demand for constant velocity joints, NTN spent Y2.8bn to expand production last year, and is planning to invest another Y3.2bn this year out of total capital spending of Y8bn.

Car manufacturers are increasingly switching to front-wheel drive vehicles as demand for small fuel-efficient cars increases. Starting this year, under a special exemption in the GKN licence, NTN will ship constant velocity joints to Ford in the U.S.

The company's net profit this year is in sharp contrast to the heavy losses reported two years ago, when a sudden appreciation of the yen hurt overseas sales of bearings (bearings make up 75 per cent of all sales). Last year, however, NTN had more than Y4bn in exchange gains from its exports.

The company expects that sales in the first half of the current year will continue to be strong, although profits will be held back by increases in the cost of raw materials and electricity. Steel prices were raised by 12 per cent from April, while electricity [illegible] increased by more than [illegible] for industrial users.

For the full year, NTN expects sales will rise by about 17 per cent to Y175bn. Operating profits will remain at around the past year's level.

Advance by Mitsubishi Electric

BY YOKO SHIBATA IN TOKYO

MITSUBISHI ELECTRIC CORPORATION (MELCO) achieved a 73 per cent rise in net profits to Y25.11bn ($710m) for the year ended March, thanks to improved sales of electronics and industrial machinery supported by strong private capital investment.

Operating profits reached Y48.73bn, up by 45.8 per cent on turnover, up 15 per cent to Y1,075.47bn.

With brisk sales of integrated circuits and computer equipment, MELCO's sales of electronics and industrial equipment increased by 20.8 per cent to contribute 30.6 per cent of the total turnover. Standard electrical machinery accounted for 16 per cent ahead by 20.2 per cent. Supported by strong exports to the Middle East, sales of heavy electric machinery went up by 6.8 per cent to account for 25.1 per cent of turnover. Electrical appliances for the home market also fared well, with a 14.2 per cent rise to account for 27.3 per cent.

Exports rose by 20.1 per cent to account for 17.3 per cent of total sales, thanks to the yen's depreciation during the past year. Exchange gains generated from the yen's depreciation amounted to Y8bn, and lost reductions resulting from production increases absorbed raw material price rises.

Orders received during the year reached Y1,160.56bn, up by 16.9 per cent and the backing of orders rose by 11.9 per cent to Y797.76bn.

For the current fiscal year, the company sees an 8 per cent growth in turnover to Y1,160bn, due to favourable orders received in 1979-80. However, orders received in the current half are expected to grow by only 4 per cent. Both operating profits and net profits are expected to be maintained

Metrocore merger hopes blocked

By Our Sydney Correspondent

McILWRAITH-DAVEY Industries, the hardware and building products group, yesterday ended hopes that Overseas Corporation (Australia) and Metro Meat could proceed with the A$38m (U.S.$37.4m) merger proposal announced late last year.

The two companies planned to merge through a takeover by a newly-formed holding company, Metrocore, but the merger has come under persistent attack by critics claiming there was no apparent logic to the union of a household and building materials manufacturer with a meat and cold stores group.

The Metrocore bid is due to close this Friday, but has been facing an uphill task because a number of institutional holders, particularly in Overseas, were opposed to the merger. For the merger to succeed, shareholders owning 90 per cent of the capital of both companies had to agree, but by late last-month holders of only 20 per cent of the capital of Overseas and 45 per cent of Metro Meat has accepted. Last week Metrocore admitted that it still did not have enough support.

McIlwraith-Davey stepped in yesterday and purchased 5.16m shares in Overseas Corporation at A$1.35 each. Overseas shares were selling at A$1.16 when the merger was first announced. Metro shares have remained around A$1.05.

McIlwraith-Davey revealed that it held 5.6m shres in Overseas, or 12.9 per cent of the capital, and tht it did not intend to accept the Metrocorp offer, thus appearing to defeat the merger proposal.

Clifton battle takes new turn

BY JAMES FORTH IN SYDNEY

A PRIVATE investment company associated with directors of Clifton Brick Holdings has started buying Clofton shares on the stockmarket at prices well above the takeover bid from Monier, the building products group in which Redland of the UK has a 47.6 per cent stake. Investors Pty., which already held 11.6 per cent of Clifton, has bought a parcel of almost 195,000 shares, or 1.2 per cent of the company, at A$1.75 a share, which compares with Monier's offer price of A$1.65.

The shares were bought on Friday when the market price for Clifton was only A$1.65. Investors has about 40 shareholders, but is closely connected with the Angliss family, the major shareholders in Clifton. The chairman of Clifton, Mr. Adrian Gibson, a member of the Angliss family, is also chairman of Investors.

Moreover, Investors is one of a group of Clifton shareholders owning almost 42 per cent of Clifton's capital which has already declared that it intends to reject the Monier bid. Under stock exchange listing requirements Investors would be limited to acquiring a further 3 per cent of Clifton over the next six months if it was held to be acting in concert with the other Clifton holders.

However, Investors has received legal advice that it is not acting in concert and has complied with the listing requirements. The Investors board said it had appointed the merchant bank, Australian International Finance Corporation to advise it on the Monier bid. The board added, however that Investors did not intend to accept the current Monier bid. Investors would make such purchases of Clifton shares as were consistent with its long-standing investment policy and/or necessary to protect its existing investment.

"Investors does not accept that a foreign-controlled company should be given control of an Australian founded and owned company at a price which Investors firmly believes is unrealistically low."

Monier has repeatedly urged the independent Clifton shareholders to send in their acceptances to demonstrate to the 42 per cent that a substantial body of shareholders wants to receive the takeover offer. The Clifton camp in turn has countered that Monier should declare its bid unconditional, which would mean that it would have to pay for any acceptances, but would run the risk of ending up as a locked-in minority, should its bid for control not succeed.

Berliner Bank disposal

By Leslie Colitt in Berlin

BERLINER BANK has sold its 25 per cent share in H. Berthold, the West Berlin company which is the world's third largest producer of photocomposition equipment. The purchaser is the Weidmuller Group.

Weidmuller, owned by the Glasel family, is said to be Europe's largest manufacturer of electrical connectors for industrial control units. Berthold's turnover last year was DM 170m.

Peak year at Storebrand

BY FAY GJESTER IN OSLO

NORWAY'S largest insurance group, Storebrand, had its best ever year in 1979.

Profits on non life business including financial earnings reached NKr 29.5m ($6m) after tax, compared with NKr 14.2m in 1978. A dividend of 12 per is proposed compared with 10 per cent.

This year's results would be "about the same, or slightly weaker," but it was unlikely that the very favourable trend of the past two years would continue right through the 1980s.

Residential and small business insurance suffered a loss in 1979, reflecting NKr 25m compensation paid for frost damage during the harsb winter of 1978-79 combined with the rising crime rate. Profitable sectors were fire, car and marine insurance.

Last year saw a fall in the volumeof car damage claims, for the second year running, while premium income from car insurance rose by 5 per cent to NKr 424m. Total growth premium income increased to NKr 2.33bn from NKr 2.1bn.

HK stock exchanges seek takeover views

By Philip Bowring in Hong Kong

HONG KONG stock exchanges are asking their members for their views on whether or not takeover offers should be made compulsory under particular circumstances. At present there is only a non-binding expectation that companies, which gain control by acquiring more than 50 per cent, should give good reason to the takeover panel for not extending the offer to all shareholders.

The exchanges have asked whether a full offer should be mandatory where:

- A person or group has acquired 30 per cent of voting shares.
- Where a holding of between 30 and 50 per cent is increased by 3 per cent or more in any 12-month period.

The findings will be passed to the committee on takeovers and mergers.

The issue is a sensitive one in Hong Kong, partly because many listed companies are already controlled by family or group interests holding 30 per cent or more, and partly because any change in the rules to force a full offer would, it is argued, frustrate the ambitions of local businessmen to acquire control of well established, particularly expatriate, businesses.

Creping acquisition of effective control of a widely held company by buying in the market is relatively cheap compared with launching a full-fledged takeover.

Ansett offers aid to Air Nuigini

BY OUR SYDNEY CORRESPONDENT

AUSTRALIA'S private domestic airline, Ansett Transport Industries has offered "assistance" to Papua New Guinea's troubled national airline, Air Nuigini. Sir Peter Abeles, a joint chief executive of Ansett confirmed yesterday that he had inquired about any assistance which could be offered to Air Niugini, after reports from Port Moresby that Ansett had made a takeover bid for the PNG airline.

Ansett is jointly owned by News Corporation, the publishing group controlled by Mr. Rupert Murdoch, and Thomas Nationwide Transport, the international transport group, headed by Sir Peter. Ansett already owns 11.5 per cent of Air Niuguni. Until early last year it held 16 per cent, but this was watered down by an increase in capital.

The airlines owned by the Australian Government, the domestic airline, Trans-Australian Airlines and the international carrier, Qantas, formerly also held an interest in Air Nuigini. Sir Peter said he had sent a private Telex to the PNG Prime Minister, Sir Julius Chan on May 15.

Ansett has been pressing the Australian Government to allow it access to some international routes, but this is being strongly resisted by Qantas. An Air Nuigini takeover would represent an entry to the international scene because the PNG carrier flies to several countries, including Japan, Hong Kong, Singapore, the Philippines and Indonesia.

CURRENCIES, MONEY and GOLD

Dollar soft

THE DOLLAR was generally soft but showed little change in quiet foreign exchange trading yesterday. Currencies moved within narrow ranges, with the Japanese yen showing the firmest trend, possibly reflecting hopes of more secure oil supplies. The dollar touched a high point of Y229, but fell to Y225.30, before closing at Y226.50, compared with Y228.50 previously. Switzerland's record current account deficit last month had only a slight weakening effect on the Swiss franc, with the dollar rising to SwFr 1.6785 from SwFr 1.6740, after touching SwFr 1.6860. Against the D-mark the U.S. currency improved a little to DM 1.8030 from DM 1.8015, but ended near its lowest level of the day. On Bank of England figures, the dollar's trade-weighted index fell to 85.4 from 85.5.

Sterling's index, as calculated by the Bank of England, rose to 73.3 from 73.2, after standing at 73.2 at noon and 73.3 in the morning.

The pound rose 75 points to close at $2.2905-2.2915. It fell to a low point of $2.2840-2.2850 in the morning, but recovered to $2.2870-2.2880 at lunch, and touched a peak of $2.2925-2.2935 in the afternoon.

D-MARK — Showing renewed strength against the dollar and within the European Monetary System following firmer rates in Frankfurt and lower U.S. interest rates. The D-mark lost ground to the dollar, sterling and most members of the EMS at the Frankfurt fixing. The Bundesbank did not intervene when the dollar rose to DM 1.8030 from DM 1.7988 in quiet trading unmarked by major news events. Sterling rose to DM 4.1270 from DM 4.1080, while the Swiss franc improved to DM 1.0770 from DM 1.0753, showing little reaction to the Swiss April balance of payments deficit. The French franc, firmest member of the EMS, rose to DM 42.8850 from DM 42.8400 per 100 francs.

SWISS FRANC—The recent reversal in Switzerland's balance of payments position after 15 years of surplus has depressed the franc against the currency of its main trading partner West Germany, and led to higher Swiss interest rates and the dismantling of regulations designed to keep foreign capital out of the country. The initial reaction to news of a record Swiss trade deficit of SwFr 1.26bn in April was a slight weakening of the Swiss franc against the D-mark. Trading was very quiet however, with the Swiss currency showing little change against the dollar.

ITALIAN LIRA — Weakest member of EMS recently, after rising to the top earlier this year, and remaining quite strong during most of 1979. The lira strengthened against most EMS currencies, but declined against the dollar and sterling at the Milan fixing. The D-mark, French franc, Belgian franc, and Dutch guilder lost ground, while the Danish krone and Irish punt were the only members of the EMS to improve. The dollar was fixed at L847.55, compared with L845.80, and the pound at L1,940.10, against L1,932.

JAPANESE YEN—Energy and balance of payments problems reflected in sharp decline last year. Although the situation over oil supplies remains uncertain, easier U.S. interest rates have helped the yen recover. The yen was firm in quiet Tokyo trading. The dollar closed at Y228.70 compared, with Y229.15 previously, and Y229.00 at the opening. The U.S. currency drifted down in the absence of any significant news, moving within a narrow range, and touching a low of Y228.65.

THE POUND SPOT AND FORWARD

May 20	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.2840-2.2935	2.2905-2.2915	1.45-1.35c pm	7.33	3.37-3.27 pm	5.80
Canada	2.6810-2.6910	2.6885-2.6895	0.98-0.88c pm	4.15	3.32-3.22 pm	4.86
Nethlnd.	4.51½-4.55½	4.53¾-4.54¾	3¼-2¼c pm	8.94	7¼-6¼ pm	6.17
Belgium	65.55-66.45	66.20-66.30	6c pm-4 dis	0.18	22-12 pm	1.03
Denmark	12.85-12.91	12.89-12.90	1½-3ore dis	−2.03	4-6¼ dis	−1.61
Ireland	1.1060-1.1090	1.1075-1.1085	0.05-0.01p pm	0.38	0.22-0.17 pm	0.70
W. Ger.	4.11-4.15	4.12½-4.13½	3¼-2¼pf pm	8.35	8¼-7¼ pm	7.50
Portugal	112.50-113.50	113.00-113.20	5c pm-35 dis	−1.59	10-113 dis	−2.21
Spain	162.90-163.90	163.80-163.90	30c pm-20 dis	0.37	20-115 dis	−1.65
Italy	1,936-1,944	1,940-1,941	3¼-1¼lire pm	1.70	3¼-1¼ pm	0.57
Norway	11.28-11.32	11.30½-11.31½	3¼-2ore pm	2.88	12-10¼ pm	4.02
France	9.59-9.64	9.61½-9.62½	4¼-3¼c pm	4.83	10¼-9¼ pm	4.21
Sweden	9.66½-9.72½	9.71-9.72	1-½ore pm	0.77	4¼-3¼ pm	1.52
Japan	513-525	518½-519½	2.15-1.75y pm	4.21	5.95-5.55 pm	4.43
Austria	29.32-29.55	29.48-29.53	21-15gro pm	7.32	57-47 pm	7.05
Switz.	3.82-3.86	3.84½-3.85½	4¼-3¼c pm	11.30	11½-10½ pm	11.43

Belgian rate is for convertible francs. Financial franc 67.70-67.80. Six-month forward dollar 5.55-5.45c pm. 12-month 7.80-7.50c pm.

THE DOLLAR SPOT AND FORWARD

May 20	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.2840-2.2935	2.2905-2.2915	1.45-1.35c pm	7.33	3.37-3.27 pm	5.80
Ireland†	2.0630-2.0680	2.0640-2.0660	1.35-1.25c pm	7.55	3.30-3.20 pm	6.29
Canada	1.1739-1.1753	1.1739-1.1741	0.33-0.38c dis	−3.63	2.39-0.44dis	−1.41
Nethlnd.	1.9800-1.9845	1.9800-1.9820	0.05-0.15c dis	−0.60	0.27-0.17 pm	0.44
Belgium	28.90-28.97	28.90-28.92	13-18c dis	−6.01	29-33 dis	−4.28
Denmark	5.6285-5.6390	5.6365-5.6380	4.00-4.50ore dis	−9.05	6.75-10.25dis	−7.09
W. Ger.	1.8016-1.8080	1.8025-1.8035	0.18-0.08pf pm	0.86	2.80-0.70 pm	1.66
Portugal	49.33-49.55	49.40-49.80	23-38c dis	−7.40	65-112 dis	−7.08
Spain	71.40-71.56	71.51-71.56	35-50c dis	−7.13	120-155 dis	−7.69
Italy	847.30-848.70	848.40-848.70	3¼-4¼lire dis	−5.83	11-12 dis	−5.42
Norway	4.9330-4.9370	4.9345-4.9355	1.50-2.00ore dis	−4.25	1.80-2.30dis	−1.66
France	4.2000-4.2080	4.2000-4.2020	2.73-0.83c dis	−2.23	1.40-1.60dis	−1.43
Sweden	4.2385-4.2440	4.2420-4.2435	2.05-2.20ore dis	−9.01	4.20-4.35dis	−4.03
Japan	225.30-229.00	226.45-226.55	2.40-0.60y dis	−2.65	2.55-0.75dis	−1.15
Austria	12.85-12.88½	12.87¼-12.88½	0.80-0.10gro pm	0.42	3.60-3.00 pm	1.32
Switz.	1.6720-1.6860	1.6780-1.6790	0.72-0.62c pm	4.70	2.32-2.22 pm	5.41

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY RATES

May 10	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	17	0.569733	0.611009
U.S. $	13	1.30157	1.39712
Canadian $	13.34	Unavail.	1.63212
Austria Sch	5¾	16.7004	17.6120
Belgian F	14	37.6662	40.2741
Danish K	15	7.32773	7.85084
D'Mark	7½	2.34144	2.51006
Guilder	12	2.57405	2.75904
French Fr.	9½	5.46051	5.86555
Lira	15	1100.89	1181.53
Yen	9	297.832	318.979
Norwgn. Kr.	9	6.41658	6.89186
Spanish Pts.	8	92.8742	99.6479
Swedish Kr.	10	5.51023	5.91391
Swiss Fr.	3	2.17444	2.33192

CURRENCY MOVEMENTS

May 20	Bank of England Index	Morgan Guaranty Changes%
Sterling	73.5	−32.4
U.S. dollar	85.4	−8.0
Canadian dollar	80.5	−17.0
Austrian schilling	155.1	+24.0
Belgian franc	112.8	+14.0
Danish kroner	106.2	−4.7
Deutsche mark	154.4	+44.4
Swiss franc	185.2	+77.0
Guilder	123.0	+19.5
French franc	100.7	−5.1
Lira	55.5	−50.8
Yen	136.1	+24.5

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU May 20	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.7897	40.3411	+1.39	+0.57	±1.53
Danish Krone	7.72336	7.84840	+1.63	+2.81	±1.64
German D-Mark	2.48208	2.51287	+1.24	+0.42	±1.125
French Franc	5.84700	5.85919	+0.21	−0.61	±1.3557
Dutch Guilder	2.74362	2.76165	+0.66	−0.12	±1.512
Irish Punt	0.662638	0.674898	+2.16	+2.14	±1.668
Italian Lira	1157.79	1181.17	+2.02	+1.71	±4.06

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

OTHER CURRENCIES

May 20	£	$		£ Note Rates
Argentina Peso	4123-4143	1802-1809	Austria	26.80-28.50
Australia Dollar	2.0220-2.0260	0.8830-0.8935	Belgium	607.2-67.80
Brazil Cruzeiro	114.08-115.08	49.235-50.135	Denmark	12.80-12.87
Finland Markka	8.48-8.49	3.7030-3.7050	France	9.55-9.31
Greek Drachma	98.095-100.345	42.88-43.25	Germany	4.11-4.14
Hong Kong Dollar	11.23½-11.25½	4.9075-4.9105	Italy	1890-1950
Iran Rial	n/a	n/a	Japan	518-523
Kuwait Dinar (KD)	0.613-0.623	0.2701-0.2703	Netherlands	4.50½-4.55½
Luxembourg Fr.	66.90-66.50	29.30-28.92	Norway	11.25-11.35
Malaysia Dollar	5.0025-5.0125	2.1850-2.1870	Portugal	108-114
New Zealand Dlr.	2.3430-2.3470	1.0225-1.0235	Spain	157½-165
Saudi Arab. Riyal	7.56-7.66	3.3290-3.3310	Sweden	9.65-9.75
Singapore Dollar	4.9650-4.9450	2.1660-2.1680	Switzerland	3.81½-3.84½
Sth. African Rand	1.8065-1.8110	0.7895-0.7905	United States	2.2825-2.2915
U.A.E. Dirham	8.43-8.55	3.7205-3.7255	Yugoslavia	47-49

Rate given for Argentina is free rate.

EXCHANGE CROSS RATES

May 20	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.291	4.133	516.0	9.622	3.850	4.538	1936.	2.680	66.25
U.S. Dollar	0.436	1.	1.804	225.2	4.199	1.680	1.981	847.0	1.174	28.92
Deutschemark	0.242	0.554	1.	124.8	2.328	0.932	1.098	469.5	0.651	16.03
Japanese Yen 1,000	1.937	4.414	7.982	1000.	18.64	7.418	8.764	3759.	5.191	127.6
French Franc 10	1.040	2.381	4.295	535.6	10.	4.002	4.717	2017.	2.795	68.67
Swiss Franc	0.260	0.595	1.073	134.8	2.499	1.	1.179	504.0	0.698	17.21
Dutch Guilder	0.220	0.505	0.911	114.4	2.122	0.848	1.	427.7	0.593	14.60
Italian Lira 1,000	0.516	1.181	2.130	267.5	4.967	1.984	2.338	1000.	1.386	34.14
Canadian Dollar	0.373	0.852	1.537	193.0	3.578	1.432	1.687	721.6	1.	24.64
Belgian Franc 100	1.509	3.458	6.236	783.4	14.52	5.811	6.849	2929.	4.059	100.

EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposit: one-month 10.25-10.35 per cent; three-months 10.40-10.50 per cent; six months 10.45-10.55 per cent; one year 10.45-10.55 per cent.

May 20	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
†Short term	16⅞-17⅛	0-0¼	14-16	10⅞-11⅛	5⅜-5½	9⅜-9½	12⅝-12⅞	14-16	9⅞-12	12-12½
7 days' notice	17⅜-17⅝	2½-3¾	14-12	12⅞-11⅛	4¾-5¼	2½-6⅝	10⅝-10⅞	16-16½	10⅛-10¼	12¼-12½
Month	17½-17¾	12¼-10½	13¾-14⅛	11⅛-11⅝	6⅛-6⅝	9⅛-9⅛	12⅛-12⅛	16-17	10⅝-12¾	12⅛-12⅛
Three months	17½-17¾	11⅛-11⅞	12⅞-13¼	11⅛-11⅝	5⅛-5¼	9⅝-9⅛	19⅞-16⅛	13½-17½	11⅝-11¾	12⅛-12⅛
Six months	15⅛-15⅝	11⅛-11⅜	11⅞-12¼	12⅞-11⅛	6-6⅛	2⅛-9⅛	15-15¼	13¾-16¾	11⅛-11⅞	12⅛-12⅛
One year	14¾-15	11⅛-11⅛	11⅛-11⅞	10¾-11	6-6⅛	0⅛-9⅛	13⅛-13⅞	16-17	11¼-11⅝	11-11⅛

Long-term Eurodollar two years 11⅛-11⅜ per cent; three years 11⅛-11⅜ per cent; four years 11⅛-11⅜ per cent; five years 11⅛-11⅜ per cent; nominal closing rates. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two days' notice. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

French rates steady

The Bank of France took further steps yesterday to improve current levels of liquidity in the money market, by buying FFr 6bn of first category paper from the market at an unchanged rate of 12¼ per cent. The move came as call money was quoted at 13 per cent for the second day running, its highest level for nearly two months. The authorities also intervened last week, buying FFr 6bn of first category paper on May 12. Yesterday's bills are for maturity between May 25 and May 30. The Central Bank of seven-month Treasury bills.

While call money remained at 13 per cent, longer term rates were slightly firmer in places, with one, three, six and 12-month money all quoted at 12½-12¾ per cent.

In Amsterdam call money eased to 10¾-11½ per cent from 11-11½ per cent with longer term rates slightly firmer where changed. Meanwhile the authorities started to receive subscriptions for the latest special advance facility due to start for an 18-day period from May 22, with a rate of interest of 11½ per cent, slightly more than the rate charged on official advances. Later in the day the authorities announced the total of the special advance facility as Fl 1.353bn, with applications allotted in full.

In Frankfurt call money eased to 9.60 per cent from 9.70 per cent on Monday and longer term rates also showed a slightly weaker tendency.

MONEY RATES

NEW YORK

Prime Rate	16-16½
Fed. Funds	10½-10¾
Treasury Bills (13-week)	8.54
Treasury Bills (26-week)	8.54

GERMANY

Discount Rate	7.5
Overnight Rate	9.60
One month	10.075
Three months	10.175
Six months	9.95

FRANCE

Discount Rate	9.5
Overnight Rate	13
One month	12.6875
Three months	12.6875
Six months	12.6875

JAPAN

Discount Rate	9.0
Call (Unconditional)	12.625
Bills Discount (three-month)	13.875

UK MONEY MARKET

Moderate help

Bank of England Minimum Lending Rate 17 per cent (since November 15, 1979)

Day to day credit continued to be in short supply in the London money market yesterday, and the authorities gave assistance on a moderate scale. This comprised small purchases of Treasury bills and local authority bills, all direct from the discount houses as well as moderate loans to four or five houses at MLR for repayment today. The market was faced with the repayment of Monday's small official advances and a small increase in the note circulation. There was also the unwinding of a previous sale and repurchase agreement involving a small number of eligible bank bills, and banks brought forward balances a moderate way below target. On the other hand there was a moderate excess of Government disbursements over revenue transfers to the Exchequer.

Discount houses were paying around 16¾ per cent for secured call loans at the start, with later balances taken as low as 16 per cent. In the interbank market, overnight loans opened at 16¾-17 per cent and eased to 16½-16¾ per cent before tightening up to 17-17¼ per cent in the early afternoon. Rates dipped to 16¾-17 per cent after 2.30 pm, but late balances were commanding 17½-18 per cent.

Rates in the table below are nominal in some cases.

LONDON MONEY RATES

May 20 1980	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	18½-18	—	—	—	17¼-17⅝	16-17	—	—	—
2 days notice	—	—	17¼-17⅝	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	16¼-16½	16¾-17¼	—	16⅝	17¼-17¾	16-13½	—	—	—
One month	17⅛-17⅞	16⅞-17	17⅛-17⅝	18¼-18	17¼	17⅜-17¼	13½-16¾	15⅞-18	17⅛	17¾
Two months	17-16⅞	16⅞-17⅛	—	17¾-17⅜	17⅛	—	13½-16⅝	16⅛	16⅞	17⅝
Three months	17⅛-16⅞	16⅞-17	17-17⅛	17½-17	17¼	17⅛-17⅝	18¼-16⅝	13½	16⅞-16½	16⅞
Six months	16¼-16⅛	16⅛-16¼	16-16¼	16⅝-16⅞	16½	16½	—	—	16⅛-15⅞	15⅝
Nine months	15½-13⅝	15⅛-15⅛	—	13¼-15⅞	13¾	16⅝	—	—	—	—
One Year	15⅛-14⅞	16⅛-15⅛	16¼-13⅜	15⅝-18⅝	15⅜	16⅜	—	—	—	—
Two years	—	—	13⅛-15¼	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. *Long-term local authority mortgage rate nominally three years 15 per cent; four years 14⅞-14⅞ per cent; five years 14⅞-14⅞ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 16⅛ per cent; four-month trade bills 16⅞ per cent.

Approximate selling rates for one-month Treasury bills 15⅞-15²⁹⁄₃₂ per cent; two-months 16-16⁵⁄₃₂ per cent; three-months 16¹⁄₃₂-15⅞ per cent. Approximate selling rates for one-month bank bills 17⅜-17⅜ per cent; two-months 16¹⁵⁄₁₆ per cent; three-months 16¹¹⁄₃₂-16⅞ per cent; one-month trade bills 17½ per cent; two-months 17⅛ per cent; and three-months 16⅞ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 15 per cent from May 1, 1980. Clearing Bank Deposit Rates for sums at seven days' notice 13 per cent. Clearing Bank Rates for lending 17 per cent. Treasury Bills: Average tender rates of discount 16.1427 per cent.

GOLD

Weaker trend

Gold fell $7½ to close at $505-509 in very quiet London trading. It opened at $508-512, the highest level of the day, and was fixed at $509.80 in the morning, and $507.75 in the afternoon. A fall in prices on the U.S. futures markets drove the spot metal down to a low level of $502-507 in the afternoon, but shortly after the London close gold returned to the $510 level.

In Paris the 12½ kilo gold bar was fixed at FFr 71,950 per kilo ($534.72 per ounce) in the afternoon, compared with FFr 72,250 (534.72) in the morning, and FFr 72,400 ($536.79) Monday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 29,670 per kilo ($511.96 per ounce), against DM 29,845 ($516.04) previously, and closed at $506-511, compared with $512-517 on Monday.

In Zurich gold finished at $502-507, against $512-517 previously.

	May 20		May 12	
Gold Bullion (fine ounce)				
Close	$505-509	(£220½-222½)	$512-517	(£224-226½)
Opening	$508-510	(£222-224)	$518-517	(£224-225½)
Morning fixing	$509.80	(£222.515)	$515.12	(£225.524)
Afternoon fixing	$507.75	(£221.822)	$515.75	(£225.620)
Gold Coins				
Krugerrand	$525-528	(£229-231)	$526-522	(£230-232)
Mapleleaf	$526-525	(£227-222½)	$516-522	(£227-232)
New Sovereigns	$130½-151½	(£57-57¼)	$130-139	(£53¾-57¼)
King Sovs	$155-159	(£67½-70)	$154-158	(£67½-70)
Victoria Sovs	$125-130	(£68-70½)	$155-159	(£67¾-70¼)
French 20s	$137-142		$158-142	
22 pesos Mexico	$630-637		$640-647	
100 Cor. Austria	$498-504		$507-512	
$20 Eagles	$630-634		$633-637	
$10 Eagles	—		—	
$5 Eagles	—		—	

WORLD STOCK MARKETS

NEW YORK

Mixed start to Wall St. trading

STOCKS ON Wall Street were narrowly mixed with a slightly easier bias at mid-session yesterday after another relatively moderate business.

The Dow Jones Industrial Average was 0.43 off at 830.46 at 1 pm, while the NYSE All Common Index lost 5 cents at $61.34 and declines held a six-to-five edge over gains. Turnover amounted to 22.63m against Monday's 1 pm figure of 20.04m.

Analysts said the market was taking a wait and see attitude about the course of interest rates. They had seen nothing in the news so far that day to push the stock market either way, adding that the revised report on GNP for the first-quarter apparently had little effect on investors.

On the takeover front City Investing opened 2¾ higher at 25¼ after reporting that Tamco Enterprises has offered to buy its assets for $30 a share.

Chrysler eased ⅛ to $6¼. Deputy Treasury Secretary Carswell told the Senate Banking Committee that any more delays in Federal Loan Guarantees for Chrysler would cause bankruptcy.

Leading the actives list was Diamond Shamrock, up ⅛ at $28¼ on volume of more than 844,000 shares after completion of a secondary offering of 827,000 of its shares.

THE AMERICAN SE Market Value Index eased 0.03 to 258.21 at 1 pm on volume of 2.00m shares (1.84m).

Canada

Markets in Canada showed a firming tendency in fairly active trading yesterday morning. The Toronto Composite Index put on 4.4 to 1,886.8 at noon, with gains on the exchange exceeding losses by 166 to 154. The Golds Share Index rose 40.5 to 3,002.0, Metals and Minerals 5.5 to 1,740.8 and Oil and Gas 3.1 to 4,092.8. In Montreal, Banks gained 3.29 to 339.64.

Canadian Utilities rose 5¼ to C$26¼ after Calgary Power said it will offer C$27 per share for up to 42 per cent of the company. Calgary Power "A" slipped ¼ to C$ 16¾.

Closing prices for North America were not available for this edition.

Tokyo

After Monday's setback on the Japanese political situation and rising margin debts on the stock market, selective shares staged a good recovery yesterday, mainly on a revival of foreign buying. However, trading volume contracted to 280m shares from Monday's 360m.

The Nikkei-Dow Jones Average, down 98.67 the previous day, rallied 72.97 to 6,707.30, while the Tokyo SE Index, at 462.03, recouped 2.85 of Monday's fall of 7.16.

Trading Houses and Oils were well favoured while a number of other Populars and Speculatives also picked up strongly.

Among Trading Houses, C. Itoh advanced Y22 to Y433, Marubeni Y14 to Y368 and Mitsubishi Y10 to Y866.

Teikoku Oil, which rose Y30 on Monday on announcing the start of test exploration at its oil-fields in Northern Japan, moved ahead Y40 more to Y1,300. Arabian Oil climbed Y90 to Y3,230.

Nippon Signal rose Y35 to Y620 despite the Stock Exchange tightening its margin trading controls from yesterday.

Germany

Activity was at a low ebb with most share prices drifting easier on lack of buying interest. The Commerzbank Index shed 3.6 to 102.6.

Daimler provided a firm exception in Motors, following a late rally and closed DM 2 higher at DM 260.50.

In Engineerings, Linde receded DM 2 to DM 300 after news that the first four months' group turnover was below planned 1980 growth rate. Deutsche Bank lost DM 1.50 while Thyssen in Steels dipped by the same amount.

Prices were mixed on the Domestic bond market with movements of around 50 pfennigs in either direction. The Bundesbank bought DM 8m nominal of stock after sales of DM 5.9m the previous day. Mark Eurobonds were again little changed.

Australia

Markets remained subdued with prices drifting aimlessly most of the day, but there were some signs of improvement in the Oil and Mining sectors towards the close.

Encouraging announcements of diamond testing from the Ashton latest prospecting area failed to boost Ashton Mining, which shed 5 cents to A$2.55, but project partner CRA gained 8 cents to A$5.38.

Copper and silver miner MIM put on 5 cents to A$4.05, while Coal and Allied firmed 5 cents to A$16.10 and Pancontinental 10 cents to A$5.90. However, Peko-Wallsend receded 20 cents to A$6.70 and Oakbridge 10 cents to A$3.40.

Among Oils, Santos rose 50 cents to A$10.50 and Crusader Oil 20 cents to A$3.60, but Woodside Petroleum declined 6 cents to A$2.67, Hartogen 10 cents to A$3.90 and Monarch Petroleum 8 cents to 70 cents.

In Banks, ANZ added 7 cents at A$4.47 following sharply higher profits. Breweries concern Tooth, in contrast, receded 10 cents to A$2.15 after Monday's rise of 20 cents.

Elsewhere on the Industrial boards, leader BHP shed 10 cents more to A$13.20.

Reports that News International share trading was suspended in London failed to cause any apparent reaction in the Australian News Group, which was unchanged at A$2.10 after few shares changing hands.

Ansett Industries, reported to have made an offer to assist strike-bound New Guinea Airlines, held steady at A$2.20.

Amsterdam

Bourse prices showed no clear trend in light trading, but Royal Dutch stood out strongly in the International sector with a rise of Fl 3.80 at Fl 162.40 in response to the higher first quarter earnings.

Hong Kong

Stocks further declined in thin trading on continued local liquidations. Despite some recovery towards the close on selective support, the Hang Seng Index finished 7.38 lower at 890.42.

Among market leaders, Hong Kong Electric lost 10 cents to HK$ 5.80, Hong Kong Wharf 50 cents to HK$ 70.00, Hutchison Whampoa 15 cents to HK$ 8.85 and Jardine Matheson 30 cents to HK$ 14.80, but Hong Kong Bank gained 10 cents to HK$ 14.00.

China Light shed 20 cents to HK$ 19.60, Hang Lung 30 cents to HK$ 10.40 and Hang Seng Bank HK$ 1 to HK$ 101.

Johannesburg

Late New York and London interest left Gold shares with a firmer bias on balance after an early downturn. Buffelsfontein gained R1.50 at R41.50, but Kloof closed 50 cents easier at R31.00.

Diamond issue De Beers lost 15 cents to R9.75 on foreign selling. Platinums eased, but Coppers and Industrials tended to harden in thin trading.

Paris

Trading remained quiet with shares again closing on a mixed note.

Oils was the only sector to show a decisive uptrend, while Stores generally weakened.

Among Oils, Francaise des Petroles BP gained FFr 2.8 to FFr 114, and Francaise de Raffinage FFr 2.5 to FFr 168.

CANADA

BELGIUM (continued)

HOLLAND

AUSTRALIA

JAPAN (continued)

DENMARK

FRANCE

ITALY

NORWAY

HONG KONG

SOUTH AFRICA

SINGAPORE

SWEDEN

GERMANY

AUSTRIA

JAPAN

SWITZERLAND

BELGIUM/LUXEMBOURG

BRAZIL

Financial Rand US$0.97 (Discount of 26¼%)

Indices

NEW YORK —DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

MONTREAL

NEW YORK ACTIVE STOCKS

Spanish prices Page 19

BP joins oil futures committee

By Our Commodities Editor

BP has agreed to serve on the formation committee set up to look at prospects for an oil futures market in London, it was announced yesterday.

Mr. Simon Cowie, of BP, has been appointed chairman of the sub-committee drawing up terms of contracts, and Mr. Jim Sweeney of E. F. Hutton will head the sub-committee drawing up the articles of association.

Other members of the eight-man formation committee are drawn from a broad cross-section of interested parties from the oil and commodity markets, and it is understood that other oil company representatives have agreed to give unofficial help.

Although some sectors of the oil industry are known to be opposed to the idea, it is now felt that there is enough support to go ahead with plans for launching the market, with a target opening date next spring.

The U.S. Futures Industry Association, which represents the interests of commodity brokers, has decided to set up a London committee. It will allow queries or complaints about dealings by U.S. based companies operating in London to be handled locally rather than by the association's headquarters in Washington.

This development is separate from the plan by U.S. brokerage houses in West Germany to found a German commodity association aimed at providing a basis for self-regulation in trading.

More Colorado beetles found

ANOTHER 10 Colorado beetles were discovered in Britain yesterday, bringing the count to 33 since the first one of the current outbreak was found last Friday.

The black and yellow beetles are a serious potato pest and could damage the country's crop if they breed in agricultural areas. So far, none have been found on farm land.

All but two of the recent discoveries have been traced to a consignment of Italian spinach distributed from Spalding, Lincolnshire. The spinach is prepacked in plastic, reducing the likelihood of the insects escaping, but the Ministry of Agriculture said yesterday it was still taking the situation very seriously.

The other two beetles are believed to have come from a shipment of timber from Portugal.

Heavy selling pushes cocoa to 4-year low

BY RICHARD MOONEY

HEAVY SELLING on the London futures market yesterday pushed cocoa bean prices down to new four year lows. The July quotation ended the day down £54.50 at £1,114 a tonne and has now fallen £117 since the beginning of last week.

Dealers said the selling was triggered by reports of producer selling, notably from Ghana and the Ivory Coast, but the underlying cause of the decline continued to be the prospect of a substantial production surplus for the third year in succession.

In its last cocoa market report, published at the end of April, Gill and Duffus, the influential London commodity trading house, forecast that world production would exceed consumption by 134,000 tonnes in the 1979/80 season. This was 17,000 tonnes more than forecast in its previous report. The report also forecast that the damage done to consumption by the high prices of 1977/78 would not be quickly repaired.

This gloomy view is now shared by most people in the market, many of whom expect the price to fall to £1,000 a tonne before long. Some expect it to go as low as £800.

Ironically, yesterday's decline came as cocoa producers were meeting in Brazil to discuss measures to support prices.

The 10-member Alliance of Cocoa Producing Countries began its meeting in Salvador, the capital of Brazil's Bahia cocoa state, on Monday. It hopes to have agreed on some mechanism for stabilising the market by today.

On the table is a Brazilian proposal for a buffer stock to support prices, but so far little progress is believed to have been made on this plan. Theoretically Alliance members, who account for about 95 per cent of world cocoa production, could manage the market very effectively, but past attempts to agree support plans have had little success.

In present circumstances, with massive stocks overhanging the market and consumption stagnant, prospects of success seem poorer than ever. London traders certainly showed little sign yesterday of looking over their shoulders at what was happening in Salvador.

The producers have been thrown back on their own devices since the International Cocoa Agreement, which involved consumers as well as producers, collapsed earlier this year. The ICA was intended to stabilise the cocoa market but after consistently being left behind by rising prices, which made it relatively ineffective, attempts to negotiate a more meaningful pact broke down in March.

Rubber price lowest for 17 months

FEARS of deepening recession pushed natural rubber prices down to their lowest levels since January last year in London yesterday.

On the London physical market the RSS No. 1 spot position closed 2p down at 56.5 a kilo while on the futures market the July position fell 2.15p to 58.6p a kilo.

"Much lower levels are anticipated yet," one London dealer commented. He said chartists were forecasting a further fall of at least 2p and fundamental considerations tended to support this.

With prospects for the European and U.S. motor industries becoming increasingly gloomy tyre manufacturer demand for rubber has all but disappeared, and high interest rates have encouraged a general run-down in stocks. Usage is down to about 50 per cent of last year's level, the dealer estimated.

Meanwhile it was reported that finance problems are holding up rubber shipments to Poland from the Far East. Shipments scheduled for the second half of this month are being delayed until the necessary letters of credit are opened with London traders.

Dealers said the problem was purely commercial and the news had no impact on prices.

Tea production 'will match 1979 crop'

WASHINGTON — Preliminary projections indicate world tea output (excluding China) this year will roughly equal the 1.47m tonnes produced in 1979, the U.S. Agriculture Department said.

In a Foreign Agriculture Circular on tea, the department said world market prices for tea are still firm, reflecting the close balance in world supply and demand.

It noted that world output fell slightly in 1979 from the 1978 record of 1.48m tonnes because unfavourable growing conditions in north-east India reduced the crop. Bangladesh, Iran and Uganda also had smaller crops.

The department said tea prices have been strong during the early months of this year, averaging $1.04 per lb in the first three months, compared to the average of 98c per lb in 1979 and 99.2c in 1978.

But, prices are expected to remain below the 1977 average of $1.22 per lb.

MINERAL SUPPLIES

National policy in view

BY PAUL CHEESERIGHT

UK MINERAL industry producers and consumers yesterday welcomed what appeared to be a formal nod from the Government in favour of developing a national minerals policy.

The nod came from Mr. David Mitchell, the Parliamentary Under Secretary of State for Industry, when he told the Commons on Monday that the Government would hold talks with industrial, mining and financial interests about the supply prospects of essential minerals for which industry is dependent on overseas sources.

The talks will consider the desirability of taking measures to improve the continuity and security of mineral supplies in the long term.

The first consultations are expected to start next week and policy options are expected to be put to Ministers in a matter of months.

Discussions will involve individual consumers like British Kynoch Metals, which embraces BICC, IMM and Delta Metal, British Steel Corporation, trade associations and large potential suppliers like Rio Tinto-Zinc and Consolidated Gold Fields.

Mr. Mitchell's announcement foreshadows the formalisation of talks which have taken place between the Department of Industry and individual companies over a number of years.

Indeed, the case of the companies was broadly accepted at official level over 18 months ago and the basis of a mineral policy, prepared by the department, has been ready for political consideration since before the last General Election.

Such a policy would have five main elements:

- the diversification of sources of supply;
- the establishment of a minerals stockpile;
- greater use of indigenous minerals resources;
- reclamation and recycling;
- substitution.

Mr. Mitchell's announcement thus seems a tacit acknowledgement that the Government is prepared to negotiate on the details of policy.

But the low-key statement in the Commons, in response to a parliamentary question, took industry by surprise.

The mineral industry, especially the mining companies, has been waging a sporadic campaign for some years, urging the Government to address mineral supplies with the same urgency it has given to energy.

Broadly, the case has been that investment conditions in the Third World have been unfriendly and that therefore the Government should help with investment guarantees and special insurance schemes. If this is not done, it was argued, then there is the danger of shortages during this decade because of low investment in basic minerals like copper and hence excessively high prices.

There has also been concern about excessive dependence on southern Africa for minerals like cobalt, chrome, platinum and manganese.

The Government itself, by virtue, first of its readiness to discuss investment guarantee schemes within the EEC context and, second, its espousal of a policy friendly to the companies potentially active in ocean mining for manganese nodules as far as the United Nations Conference on the Law of the Sea is concerned, has shown itself aware of the issues.

But never before has it shown itself ready to translate sympathy into domestic action. To that extent Mr. Mitchell's announcement is a response to three years of muted national debate about mineral supplies.

The point of the debate has been sharpened by the decisions of the French and West German Governments to embark on limited minerals stockpile policies. In both cases the concentration is on minerals where supplies might be interrupted by instability in southern Africa.

But consideration of a system of financial incentives for exploration or the provision of assistance to private companies for stockpiling would now run into the obstacle of the Government's cash limits policy.

Mining executives noted yesterday that the Government's time perspective is only three years and that they have to think five or more years ahead in making their financing plans for bringing new mineral deposits to production. They were not clear how these different perspectives could be reconciled.

And, given the Government's stringent spending cuts policies, there was little hope that funds would be forthcoming to start the long and careful process of building up a stockpile which could provide industry with key metals like cobalt for, say, a period of three months at a time of emergency.

Lead rallies in subdued market

BY JOHN EDWARDS, COMMODITIES EDITOR

LEAD AND tin staged a strong rally on the London Metal Exchange yesterday, but other metals remained subdued.

Cash lead jumped by £14.50 to £347 a tonne following buying interest from trade and speculative sources. The speculative buying was believed to be based on a significant chart point having been reached indicating that the recent decline in the market has bottomed out. This was in spite of the surprise rise in LME warehouse stocks last week, up by 700 tonnes to a total of 21,075 tonnes.

It was pointed out yesterday that the departure of Associated Lead from its ring-dealing membership of the London Metal Exchange at the end of last month was nothing to do with the recent decline in lead.

The company left the exchange because of its decision to move its headquarters to Newcastle. It was felt that it was not worth maintaining a London office for the group's ring-dealing company, whose trading activities were confined to "hedging" its own positions mainly in lead and sometimes in tin.

Associated Lead, which is now a subsidiary of the Lead Industries Group, was one of the founder members of the exchange. Its outstanding commitments as a ring-dealing company are being handled by another member, H. P. Thompson.

The rise in the tin market yesterday was attributed to the development of another shortage of nearby supplies available to the market.

The cash price, which rose by £122.50 to £7,432.50 a tonne, has once again moved to a premium over the three months quotation which was £70 up at £7,425. The demand for cash tin in London was in contrast to the Penang market where prices have fallen recently, reflecting lack of consumer interest.

LME stocks of tin last week fell by 80 tonnes to 2,015 tonnes and remain at a very low level. Other stock changes were: copper up by 675 tonnes to 118,100 tonnes; zinc up 800 tonnes to 57,325 tonnes; nickel up by 8 tonnes to 8,124 tonnes, and aluminium down by 1,500 tonnes to 27,000 tonnes.

LME silver holding rose by 230,000 ounces to 25,230,000 ounces.

Japan raises sponge titanium output

KYOTO—Japan's production of sponge titanium this year will rise to between 17,000 and 18,000 tonnes from a record 13,200 tonnes last year, Mr. Kokichi Takahashi, chairman of the Japan Titanium Society, said yesterday.

Mr. Takahashi, who is also president of the Kobe Steel, made the prediction in a speech at a three-day international conference on titanium.

In 1981, he said, Japan's sponge titanium production will rise to between 22,000 and 23,000 tonnes as manufacturers expand production capacity.

Mr. Takahashi said Japan is the only non-Communist country that exports sponge titanium.

Japanese manufacturers' efforts to increase production will considerably ease the current world-wide shortage of the metal, he said.

He did not disclose specific export figures, but industry sources said nearly half of Japan's annual production is shipped abroad.

Reuter

U.S. grain ban support urged

BY RICHARD MOONEY

A NEW call for the world's leading grain exporting countries to continue to support the U.S. embargo on sales to the Soviet Union was issued in Brussels yesterday.

At the regular twice-yearly meeting of the Western world's five biggest exporters—the U.S., the EEC, Canada, Australia and Argentina—the U.S. delegation underlined the importance of maintaining the embargo, imposed at the beginning of this year in protest at Soviet military intervention in Afghanistan.

At a meeting in January the EEC, Australia and Canada agreed not to replace cancelled U.S. sales but Argentine refused to support the ban.

An official at the U.S. embassy in Brussels said last night that the U.S. call received a "sympathetic hearing," but no commitments were made by any of the other delegates.

The embargo is believed not to have been as effective as the U.S. had hoped, because a good harvest is expected following the mild winter. However, disease is now threatening the crop, the Soviet farming newspaper Selskaya Zhizn.

In Brussels the EEC cereals management committee has allocated 500,000 tonnes of wheat and 1m tonnes of barley for export to Eastern Europe, excluding the USSR, in the 1980-1981 marketing year which begins on July 3. Total export allocations are for 2.25m tonnes of wheat and 2m tonnes of barley. These figures have yet to be ratified by the EEC Commission but no objections are expected.

Under the current export programme, which expires on June 30, export authorisations have been granted on 4,337,400 tonnes of wheat and 1,876,100 tonnes of barley.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Barely changed on balance on the London Metal Exchange. After opening around £905 forward metal moved up to £911 on the morning kerb reflecting modest fresh buying interest. However, a lower than expected opening on Comex pared the price to £904 before a partial recovery to £908 in the second ring. Thereafter rumours of a Russian air attack on Iranian territory caused a flurry of short covering in New York and London and the price moved up to touch £914 before closing the late kerb at £910. Turnover, 22,925 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
Wirebars	£	£	£	£
Cash	884-5	+6.25	882-3	+3
3 months	909-10	+6	908-.5	......
Settlem't	885	+6.5	—	......
Cathodes				
Cash	874-5	......	862-3	+3.5
3 months	863-4	+4.5	866-6	+2.5
Settlem't	[illegible]	+5.5	—	......
U.S. Prod	254	+4	*90-96.25	......

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £885, three months £908, 7, 7.5, 8, 8, 7, 8, 7, 8, 9. Cathodes: cash £864, three months £890. Kerbs: Wirebars, three months £910, 9.5, 10, 11, 10.5, 10. Afternoon: Wirebars, three months £904, 5, 5.5, 6, 6, 8.5. Cathodes, cash £863. Kerbs: Wirebars, three months £908.5, 10, 11, 12, 12.5, 13, 14, 13, 11, 12, 11, 10, 11.

TIN—Gained ground following good demand for cash material, fresh speculative interest and bear covering. Forward metal opened at £7,360 and moved up throughout the day to touch £7,450 before closing the late kerb at £7,445. The buying of cash metal eliminated the £30 contango and established a backwardation of £20 at the close. Turnover, 1,195 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	7410-20	+80	7460-70	+160
3 months	7415-25	+68	7445-55	+55
Settlem't	7420	+80	—	......
Standard				
Cash	7390-400	+105	7425-40	+122.
3 months	7400-5	+70	7420-30	+78
Settlem't	7400	+105	—	......
Straits E.	‡$2174	—4	—	......
New York	—	......	—	......

Morning: Standard, three months £7,380, 7,400. High Grade, cash £7,410, 7,400. Kerbs: Standard, three months £7,400, 20. Afternoon: Standard, three months £7,400, 10, 15, 20. Kerbs: Standard, three months £7,440, 35, 40, 50, 45, 35, 30, 45.

LEAD—Moved ahead in the wake of chartist buying and the steadiness of copper. Forward metal opened at £346 and gained ground gradually to touch the day's high of £358.5 during the second ring before easing in the afternoon to close at £353.5. Turnover, 11,275 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	348-50	+19	346-8	+14.5
3 months	358-9	+13	354.5-5.5	+12.5
S'ment	350	+18	—	......
U.S. Spot	—	......	*36.40	......

Morning: Three months £353, 54, 55, 56, 55, 54, 55, 56, 57, 58. Kerbs: three months £358, 57. Afternoon: Cash £348, three months £356, 55, 54, 55. Kerbs: three months £354, 53.

ZINC—Barely changed in idle trading with forward metal touching £316.3 on the morning kerb—in sympathy with lead—before easing to close the late kerb at £314.5. Turnover, 3,800 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
	£	£	£	£
Cash	304.5-5.5	+3.75	304.5-5.5	+1.5
3 months	315-6	+5.25	315-6	+1.75
S'ment	305.5	+5.5	—	......
Primw'ts	—	......	*37.5	......

Morning: Cash £305, three months £314, 14.5, 15, 15.5, 16, 16.5, 15.5, 15. Kerbs: Three months £317. Afternoon: Three months £316. Kerbs: Three months £316, 17, 16.

ALUMINIUM—Marginally easier in subdued trading with three months finally quoted at £770, after extremes of £775 and £768. Turnover, 5,800 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
	£	£	£	£
Spot	781-5	—4.5	776-7	—7.5
3 months	775-4	......	767-8	—6

Morning: Early August £775, three months £774, 73, 74, 75, 74. Kerbs: Three months £771. Afternoon: Cash £775, three months £770, 68, 68, 69, 68.5, 68. Kerbs: Three months £768, 70, 71, 69.

NICKEL—Quietly steady with forward metal trading around the £2,700 level throughout the morning before edging up to £2,725 on the late kerb. Turnover, 564 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
Spot	2615-20	+2.5	2630-5	+22.5
3 months	2715-20	+5	2725-30	+20

Morning: Three months £2,710. Afternoon: Three months £2,730. Kerbs: Three months £2,725.

* Cents per pound. ‡ $M per picul.

COCOA

In active trading cocoa futures plunged to new contract lows on a combination of speculative selling and rumoured producer re-entry into the physicals market, to close more than £50 below the levels of Monday evening, reports Gill and Duffus.

COCOA	Yesterd'ys Close	+ or —	Business Done
May	1090-1110	—46.5	1138-18
July	1113-15	—54.3	1150-08
Sep	1129-23	—54.0	1160-1111
Dec	1166-68	—58.5	1205-1150
March	1196-98	—57.5	1231-1195
May	1220-25	—60.0	1260-54
July	1240-35	—67.5	1260-56

Sales: 7,122 (4,400) lots of 10 tonnes.

COFFEE

Robustas opened £15-£20 lower to reflect a weaker New York, reports Drexel Burnham Lambert. Volume was light in a narrow trading range. In the afternoon a sharp rally back to the previous closing levels was generated by renewed steadiness in New York and prices closed just off their daily highs.

COFFEE	Yesterday's Close £ per tonne	+ or —	Business Done
May	1690-1695	—8.0	1681-1679
July	1740-41	—1.5	1743-21
Sept	1780-91	—5.5	1785-1775
Nov	1805-08	—8.0	1814-96
January	1805-13	—14.0	1817-05
March	1750-57	—14.5	1770-60
May	1755-67	+14.0	—

Sales: 3,067 (3,037) lots of 5 tonnes. ICO Indicator prices for May 19 (U.S. cents per pound): Other Mild Arabicas 193.25 (195.50); Robustas ICA 1976 176.75 (177.25). ICA 1968 177.00 (177.50). Unwashed Arabicas 218.00 (218.80). Comp. daily ICA 1968 197.29 (196.42).

GRAINS

LONDON GRAIN FUTURES—New crops opened 50p lower and fairly aggressive hedge selling pressure eased values in fairly quiet trading to close £1.00-£1.05 lower on the day. The May options also came under considerable pressure and in thin volume closed weak £2.25 down on wheat and £1.90 down on barley, reports Acli.

	WHEAT		BARLEY	
Mnth	Yesterday close	+ or —	Yesterday close	+ or —
May	99.00	—2.25	91.30	—1.90
Sept	96.90	—1.05	91.60	—1.0
Nov	97.70	—1.05	95.45	—1.05
Jan	101.45	—1.05	99.40	—1.0
Mar	104.90	—1.0	102.65	—1.0

Business done—[illegible]

SILVER

[illegible]

COTTON

[illegible]

378, 382, nil, nil; Oct. 380, 385, 382, 1; Dec. 380, 385, nil, nil; Jan. 380, 385, nil, nil; March 381, 383, nil, nil; May 381, 388, 384, 2; Aug. 381, 395, nil, nil; Oct. 381, 395, nil, nil. Sales, 3.

RUBBER

The London physical market opened easier, with little interest throughout the day, closing on a weak note. Lewis and Peat reported a Malaysian godown price of 284 (288) cents kg (buyer, June).

No. 1 R.S.S.	Yest'rdays Close	Previous Close	Business Done
June	57.00-57.80	59.50-59.80	58.80-58.30
July	58.00-59.20	60.50-61.00	58.80
Jly-Sept	60.00-60.10	61.80-61.70	61.00-60.00
Oct-Dec	63.50-65.50	65.40-65.50	65.50-65.50
Jan-Mar	65.40-66.50	68.40-68.50	68.00-66.50
Apr-Jne	68.10-68.20	71.00-71.20	—
Jly-Sept	71.30-71.90	73.75-73.90	72.75
Oct-Dec	74.50-74.70	76.50-76.80	—
Jan-Mar	77.10-77.80	78.20-79.40	—

Sales: 489 (163) at 15 tonnes, 58 (3) at 5 tonnes.

Physical closing prices (buyer) were: Spot 56.50p (58.50p); June 60.75p (62.25p); July 61.50p (63.00p).

SOYABEAN MEAL

The London market opened around 50p easier in quiet conditions, reports T. G. Roddick. The market remained featureless within narrow trading ranges throughout the day to close at the opening levels.

	Yest'rday Close £ per tonne	+ or —	Business Done
June	106.00-08.2	—0.50	108.50-06.10
August	106.70-06.8	+0.40	107.00-06.70
October	104.80-05.9	+0.50	105.00-04.80
December	108.10-08.4	+0.80	108.40-08.10
February	111.00-11.4	+0.80	111.00
April	115.00-15.5	+0.75	—
June	116.00-18.0	+0.75	—

Sales: 29 (34) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE (raw sugar): £335.00 (£345.00) a tonne cif for June-July shipment. White sugar daily price was £336.00 (£346.00).

The market opened some £10 below kerb levels and further losses occurred later as commission house stop-loss liquidation was touched off. However, good support was apparent when New York prices moved away from the one cent limit decline and final quotations in London were some £5.00 above the low points, reports C. Czarnikow.

[illegible]

JUTE

[illegible]

WOOL FUTURES

[illegible]

PRICE CHANGES

[illegible]

MEAT/VEGETABLES

[illegible]

AMERICAN MARKETS

[illegible]

EUROPEAN MARKETS

[illegible]

INDICES

FINANCIAL TIMES

May 19	May 16	M'nth ago	Year ago
271.29	271.71	279.66	278.83

(Base: July 1, 1952=100)

MOODY'S

May 19	May 16	M'nth ago	Year ago
1119.2	1115.3	1193.5	1085.6

(December 31, 1931=100)

DOW JONES

Dow Jones	May 19	May 16	Month ago	Year ago
Spot	405.84	440.78	412.8	389.31
Fut's	442.86	448.61	422.99	396.39

(Average 1924-25-26=100)

REUTERS

May 20	May 19	M'nth ago	Year ago
1718.9	1720.8	1685.9	1581.5

(Base: September 18, 1931=100)

Inflation and economic concern cloud market scene
Gilts shade easier—30-share index little changed

Account Dealing Dates

Options

*First Dealings	Declarations	Last Dealings	Account Day
May 12	May 28	May 30	June 9
June 2	June 12	June 13	June 23
June 16	June 26	June 27	July 7

* "New time" dealings may take place from 9 am two business days earlier.

A drab session in London stock markets owed much to investment attention being redirected to the bleak UK economic outlook following evidence in lower first-quarter industrial output figures that recession is beginning to bite. The forecast of a high rate of inflation continuing beyond the period predicted by official sources was also a dampening influence.

The recently volatile Oil sector quietened considerably after the weakness of the two previous sessions on lowered estimates of North Sea Ninian Field production, but provided isolated firm features. LASMO were foremost in rebounding 45 to 645p as revived speculative demand touched off a bear squeeze and also gave rise to vague rumours about a possible bid from Deminex and impending news of a North Sea discovery.

Royal Dutch/Shell's higher income for the first three months of the year imparted stability throughout oils with the early exception of shares associated with the Hambly Grove prospect. Many leading equities were neglected, but Dunlop encountered further buying, still assumed to be on behalf of a Far Eastern concern building up a stake, and Courtaulds also traded actively on a two-way basis ahead of the group's annual results, due on May 29.

The inactivity of the leaders was reflected in marginal changes in the FT 30-share index at each calculation before it closed a net 0.2 easier at 433.6. Following Unigate's withdrawal of its offers for Clifford's Dairies, dealings in the latter were resumed at sharply lower prices with the ordinary closing at 130p, the "A" at 84p and new nil-paid "A" at 18p.

Domestic selling of Government stocks was associated with inflation worries, but sales were not of any size and were occasionally countered by limited foreign investment support. Longer-dated issues fell ¼ before hardening to close a net ⅛ or ¼ cheaper, while the shorts were finally around 1/16 off, after ⅛ in places. Variable coupon stocks moved in contrasting vein on a revived specialist demand, mainly for the 1982 maturity, and settled with gains to 1/16.

Awaiting news of the recent London talks on Zimbabwe debt repayment, Southern Rhodesia bonds continued to cheapen and the 2½ per cent 1965-70 issue lost 4 points more to £140. In Foreign Railways, however, Antofagasta jumped 6 points to £68, still on a single buyer.

Traded options continued to trade quietly, only 467 deals being completed against the previous day's 513 and last week's daily average of 502.

Keyser Ullmann firm

Demand ahead of the preliminary results, due shortly, helped Keyser Ullmann put on 5 to 70p. Elsewhere in merchant banks, Hill Samuel came in for late support and closed 4 better at 97p. Minster Assets, on the other hand, eased the turn to 42p. Hire Purchases made progress despite dampened hopes of an early cut in Minimum Lending Rate. Provident Financial, 111p, and Wagon Finance, 42p, rose 3 apiece, while Sterling Credit added 3 to 14p as did London Scottish Finance, 35p. The major clearers drifted lower on lack of support; Midland closed 4 off at 330p and Lloyds 2 easier at 292p.

A nervous market of late awaiting the preliminary results, C. E. Heath rallied 6 to 208p on the 70 per cent dividend increase and satisfactory annual profits.

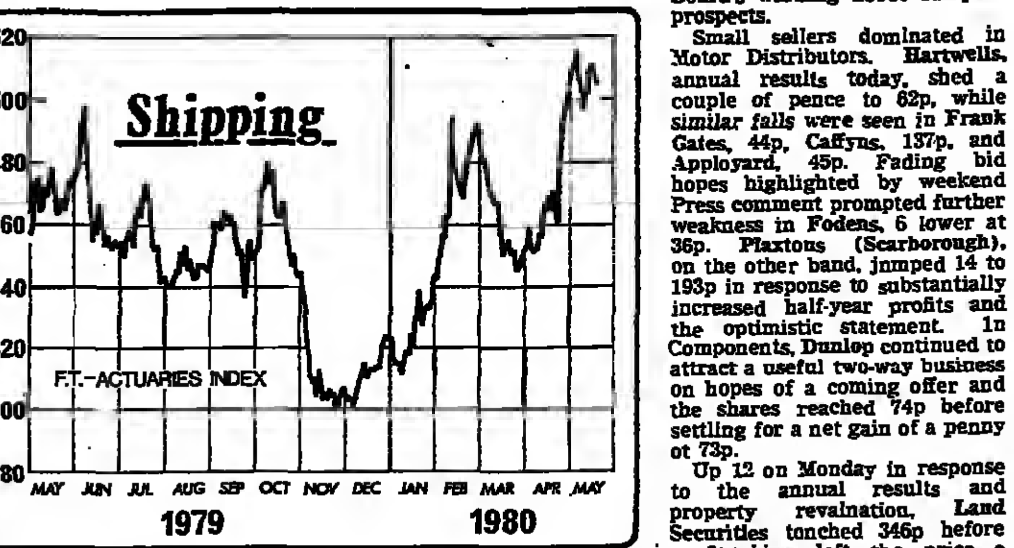
The sizeable batch of forthcoming trading statements failed to engender any investment interest in Breweries. Whitbread, annual results today, held at 152p, while Bass, 229p, and Scottish and Newcastle, 56½p, both eased a penny.

Activity in the Building sector was at a low ebb. Most Timber issues trended easier, but Magnet and Southerns attracted scattered support and improved 3 to 172p while John Carr (Doncaster) added a couple of pence to 63p, the latter in response to a satisfactory interim performance. Newarthill firmed 5 to 220p and Burnett and Hallamshire 10 to a 1980 peak of 600p in thin markets. Elsewhere, the sharply reduced annual earnings left Sheffield Brick 3½ cheaper at 35½p.

ICI remained relatively neglected and shaded to 374p; the first-quarter figures are due tomorrow.

Stores subdued

Interest in Stores was confined to selected secondary issues. Home Charm remained unsettled by the chairman's profits warning and shed 5 more to 110p, but publicity given to the preliminary results prompted second thoughts in H. Samuel, 4 dearer at 140p. Fine Art Developments held at 55½p following the increased annual profits and dividend, but Readicut International continued to react to the reduced annual dividend and closed 3 lower for a two-day loss of 7 at 17p. Among Shoes, Stylo picked up 5 to 160p, but the chairman's cautious statement which accompanied the interim results clipped a penny from K, 60p.



Thorn EMI, down 6 at 278p, after 276p, became a dull market following reports of a large line of shares overhanging the market, but other leading Electricals ended the day on a slightly firmer note. Elsewhere, Fidelity Radio featured with a fall of 8 to 45p on nervous offerings in front of tomorrow's annual results. In contrast, Emess Lighting encountered sporadic support and put on 6 to 123p along with Security Centres which improved 3 to 34p.

The majority of Engineering shares barely moved from overnight closing levels. Among the occasional movements, Metalrax responded to the encouraging tenor of the chairman's annual statement with a rise of 2 to 56p, but Mining Supplies eased 3 to 91p following news that the company is offering to buy a 29.9 per cent stake at 60p per share in Laurence Scott and may make a full bid at a later date. Press mention prompted a reaction of a penny to 26p in Weir Group, while Brockhouse eased 2 to 41p awaiting tomorrow's preliminary figures.

Among leading Foods, Tate and Lyle encountered speculative buying and firmed 4 to 134p, after 136p; the half-yearly figures are due next week. Associated Biscuits held at 76p following the chairman's statement at the annual general meeting.

Dealings in Clifford's Dairies issues resumed following Unigate's decision to withdraw its offer for the company; the former's Ordinary shares returned at 130p compared with last week's suspension price of 195p, while the A resumed at 84p, and the new nil paid A at 18p premium as against respective suspension prices of 98p and 31p premium. Unigate held at 116p.

Hotels and Caterers were featured by Grand Metropolitan which rose 3 to 125p on further consideration of the company's decision to proceed with the agreed acquisition of U.S. consumer products concern Liggett.

Camrex up

Secondary issues provided the main movements in miscellaneous industrials. Camrex were notable for a speculative jump of 5 to 37p in a thin market, while Cawoods rose 6 to 188p, after 190p, on consideration of the company's North Sea oil interests. Renewed investment support lifted Sothebys a further 14 to 497p, and Manrico James hardened 1½ to 20p with sentiment still helped by the recent profits forecast. Howard Tenens added 4 to 66p as did Ricardo, to 362p, while J. Billam, 2 dearer at 18p, drew strength from the record profits. By way of contrast, Redfearn National Glass fell 5 to 230p on the sharp contraction in interim earnings. European Ferries encountered profit-taking and shed 3½ to 136½p, while falls of a similar amount were seen in William Baird, 168p, Booker McConnell, 216p, and Negretti and Zambra, 47p. P. and W. Maclellan also declined 3, to 25p, and Nettoy softened a penny to 22p. With the exception of Unilever, which rose 5 to 410p, the leaders drifted lower on lack of interest.

Ladbroke rose 9 to 165p on the company's decision to discontinue its interest in the casino industry. Management Agency and Music shed 5 for a two-day fall of 15 to 125p on the lower half-yearly profits and the Board's warning about full-year prospects.

Small sellers dominated in Motor Distributors. Hartwells, annual results today, shed a couple of pence to 62p, while similar falls were seen in Frank Gates, 44p, Caffyns, 137p, and Appleyard, 45p. Fading bid hopes highlighted by weekend Press comment prompted further weakness in Fodens, 6 lower at 36p. Plaxtons (Scarborough), on the other hand, jumped 14 to 193p in response to substantially increased half-year profits and the optimistic statement. In Components, Dunlop continued to attract a useful two-way business on hopes of a coming offer and the shares reached 74p before settling for a net gain of a penny at 73p.

Up 12 on Monday in response to the annual results and property revaluation, Land Securities touched 346p before profit-taking left the price a penny cheaper on balance at 341p. Hammerson A attracted support and firmed 15 to 885p, but Great Portland Estates eased 2 to 238p. Elsewhere in the Property sector, Allied London hardened a penny to 115p ahead of tomorrow's half-timer. Estates and Agency held at 96p following the annual results.

Rally in Lasmo

Oil shares took on a much steadier appearance after recent weakness which was sparked off by the downgrading of production estimates for the Ninian Field in the North Sea. Lasmo, with interests in Ninian, staged a useful rally to close 45 higher at 645p, the improvement being helped to a certain extent by a squeeze on bear positions. Other exploration issues to regain ground included Berkeley, 6 up at 184p, and Premier, 4 dearer at 88p. Assisted by news of the $20m dollar Pakistan contract, KCA closed 3 better at 83p. Onshore stocks encountered fresh offerings at the opening but rallied well to close only a shade lower on balance. Candecca eased afresh to 130p before settling at 140p, down 3 on the day, while Carless Capel ended a penny cheaper at 132p, after 123p. Among the leaders, Shell closed 4 dearer at 374p following first quarter figures much in line with expectations.

Reflecting the better trend in Oils, Viking Resources rallied 10 to 217p and Oil and Associated Trust picked up 2 to 84p.

Good buying ahead of next week's annual results left Courtaulds a penny better at 71p. Other Textiles were lower, where altered. Homfray, interim results Friday, fell a penny more to 11p, while lower full-year earnings left Scott and Robertson a fraction cheaper at 37½p.

Quiet Mines

South African Golds held up well in the face of the further decline in the bullion price which lost ground for the fourth consecutive trading day to close $7.50 down at $507.

Renewed Johannesburg buying encouraged persistent, but modest, demand for most issues of the June dividend stocks and the Gold Mines index responded with a gain of 0.7 at 308.9—its fifth successive rise.

Heavyweights showed gains of ¾ common to Randfontein, £27¼, and Vaal Reefs, £25¼, while among medium and lower-priced issues Venterspost, the subject of overnight support in the U.S., put on 23 more to 645p. Stilfontein edged up 10 more to 819p.

South African Financials generally firmed, but the London stocks came under sustained selling pressure from the outset. Among the former, General Mining advanced another 20 to 745p following renewed Johannesburg buying while Johnnies added ¼ to £25. De Beers met initial selling from South Africa but held at 398p, a net fall of 10, following London support.

After a sharp mark-down at the opening, London issues came under more pressure, reflecting widespread selling. Selection Trust dropped 16 to 652p, Tanks 13 more to 267p, Rio Tinto-Zinc 12 to 353p and Gold Fields 5 to 456p.

Little interest was shown in Australians which lost ground at the outset in the wake of the downturn in the domestic oils sector.

One or two firm spots developed, Bond Corporation putting on 5 to 75p following modest buying in a restricted market, and Central Pacific Minerals moving up ½ to £23½.

In Tins, Saint Piran were trading at 65p prior to being suspended pending publication of a statement by the Takeovers Panel.

FINANCIAL TIMES STOCK INDICES

	May 20	May 19	May 16	May 15	May 14	May 13	A year ago
Government Secs.	67.42	67.61	67.76	67.67	[illegible]	68.12	72.88
Fixed Interest	68.04	68.08	68.10	68.02	[illegible]	67.92	74.99
Industrial	433.6	433.8	435.7	437.8	[illegible]	438.9	517.5
Gold Mines	308.9	308.2	304.6	302.1	[illegible]	281.9	186.3
Ord. Div. Yield	8.19	8.18	8.12	8.06	[illegible]	8.09	5.71
Earnings, Yld. % (full)	19.96	19.94	19.81	19.68	[illegible]	19.81	15.51
P/E Ratio (net) (*)	6.08	6.09	6.13	6.17	[illegible]	6.12	8.08
Total bargains	17,207	18,223	17,126	18,408	17,508	21,866	—
Equity turnover £m	—	[illegible]	81.55	[illegible]	[illegible]	[illegible]	78.68
Equity bargains total	—	14,171	11,212	15,618	13,172	[illegible]	16,346

10 am 434.0. 11 am 433.7. Noon 433.1. 1 pm 433.2. 2 pm 433.3. 3 pm 433.4.

Latest Index 01-246 8026.

*Nil=5.70.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1980 High	1980 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	69.26 (21/1)	63.85 (7/3)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	69.61 (21/1)	64.70 (10/3)	150.4 (28/11/47)	50.53 (6/1/75)
Ind. Ord.	478.8 (15/2)	406.9 (3/1)	558.6 (4/5/79)	49.4 (26/6/40)
Gold Mines	377.9 (22/2)	265.6 (15/4)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	May 20	May 19
—Daily		
Gilt Edged	133.5	121.0
Industrials	121.9	108.8
Speculative	30.0	28.6
Totals	86.9	79.8
5-day Avge.		
Gilt Edged	106.9	[illegible]
Industrials	103.4	101.0
Speculative	24.6	25.5
Totals	74.2	72.9

NEW HIGHS AND LOWS FOR 1980

The following shares quoted in the Share Information Service yesterday attained new Highs and Lows for 1980.

NEW HIGHS (38)

BRITISH FUNDS (3)
Treas. Variable '81 Treas. Variable '83
Treas. Variable '82

FOREIGN BONDS (1)
Antofagasta Rly.

AMERICANS (1)
City Inv. Com. Pf.

[illegible]

INSURANCE (1)
Lond. & Manchester

MOTORS (2)
Dunlop Flight Refuelling

PROPERTY (3)
Land Secs. 5½pc Conv. 1985 Land Secs. 10pc Conv. 1995
Do. 6½pcCnv. '95

TEXTILES (2)
Snia Viscosa Snia Viscosa Priv.

OIL & GAS (1)
Santos

NEW LOWS (47)

BRITISH FUNDS (1)
Exchqr. 13¼pc 1992

AMERICANS (1)

[illegible]

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	[illegible]	[illegible]	[illegible]
Corpns. Dom. and Foreign Bonds	[illegible]	[illegible]	[illegible]
Industrials	[illegible]	[illegible]	[illegible]
Financial and Prop.	[illegible]	[illegible]	[illegible]
Oils	[illegible]	[illegible]	[illegible]
Plantations	[illegible]	[illegible]	[illegible]
Mines	[illegible]	[illegible]	[illegible]
Others	[illegible]	[illegible]	[illegible]
Totals	[illegible]	[illegible]	[illegible]

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues., May 20, 1980 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon., May 19 Index No.	Fri., May 16 Index No.	Thurs., May 15 Index No.	Wed., May 14 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (172)	236.34	−0.1	18.52	6.77	6.70	236.53	237.32	237.45	237.15	268.02
2	Building Materials (28)	231.58	−0.2	18.48	7.03	6.68	231.97	232.25	231.10	232.83	250.95
3	Contracting, Construction (27)	351.39	−0.1	26.47	6.87	4.53	351.86	351.79	353.09	351.68	446.31
4	Electricals (16)	621.50	—	13.46	4.06	9.64	621.64	625.81	625.95	620.37	654.78
5	Engineering Contractors (11)	274.29	+0.3	24.91	9.43	5.05	273.99	273.77	275.86	274.82	393.95
6	Mechanical Engineering (74)	158.54	−0.1	20.47	8.27	6.01	158.65	159.37	159.48	159.75	177.49
8	Metals and Metal Forming (16)	161.98	−0.2	21.19	10.08	5.72	162.27	162.04	163.09	163.36	181.30
	CONSUMER GOODS										
11	(DURABLE) (49)	232.78	−0.8	15.36	5.98	7.97	234.45	236.31	237.71	238.51	245.40
12	Lt. Electronics, Radio, TV (14)	305.90	−0.9	11.91	4.37	10.74	308.63	311.17	312.71	313.92	333.22
13	Household Goods (14)	98.97	−2.6	29.86	10.79	3.95	101.65	104.87	106.06	106.30	172.54
14	Motors and Distributors (21)	103.72	−0.1	22.07	9.51	5.26	103.82	104.35	105.36	105.88	124.95
	CONSUMER GOODS										
21	(NON DURABLES) (172)	215.28	—	19.07	7.19	6.34	215.29	216.18	216.73	217.64	248.52
22	Breweries (14)	276.53	−0.3	16.61	6.74	7.34	277.47	277.36	278.58	280.04	285.12
23	Wines and Spirits (5)	291.57	−0.5	18.68	6.41	6.59	293.15	292.37	296.07	296.96	311.27
24	Entertainment, Catering (17)	295.10	+1.6	19.17	7.36	6.41	290.36	289.97	288.64	292.59	330.81
25	Food Manufacturing (21)	189.46	+0.2	18.84	7.77	6.66	189.03	190.17	190.88	191.95	226.21
26	Food Retailing (13)	302.72	−0.3	14.26	5.12	8.29	303.51	304.52	306.11	305.42	300.76
32	Newspapers, Publishing (13)	419.73	+0.3	22.66	6.97	5.96	418.39	426.44	425.14	426.38	464.88
33	Packaging and Paper (15)	127.20	+0.1	25.52	9.20	4.77	127.06	132.50	129.02	129.69	145.30
34	Stores (42)	211.24	−0.5	14.34	5.75	8.90	212.35	212.59	213.02	215.04	233.84
35	Textiles (24)	126.79	+0.6	27.35	12.16	4.58	125.79	127.41	126.78	127.18	179.48
36	Tobaccos (3)	201.16	+0.2	30.41	10.28	3.72	200.67	202.65	204.02	205.96	253.49
37	Toys and Games (5)	77.34	+0.1	44.80	17.75	2.64	77.31	77.31	78.37	78.30	76.67
41	OTHER GROUPS (99)	202.49	−0.5	17.92	7.57	6.63	203.42	204.57	206.43	206.61	215.06
42	Chemicals (16)	304.75	−0.3	20.56	7.87	5.58	305.67	308.31	313.41	315.42	300.23
43	Pharmaceutical Products (7)	181.19	−1.0	13.90	7.39	8.73	183.09	183.30	184.86	185.39	253.33
44	Office Equipment (6)	107.43	−0.9	20.27	7.72	5.64	108.37	109.31	109.49	108.88	132.37
45	Shipping (10)	504.63	−0.8	13.77	7.00	8.89	508.67	510.81	509.05	502.01	465.57
46	Miscellaneous (60)	246.55	−0.3	17.39	6.91	7.09	247.22	248.38	249.69	249.35	256.91
49	INDUSTRIAL GROUP (492)	224.25	−0.2	18.38	7.04	6.60	224.68	225.71	226.60	227.04	253.44
51	Oils (8)	740.68	+0.8	31.15	6.96	3.54	734.93	751.67	760.99	777.76	641.11
59	500 SHARE INDEX	265.10	—	21.06	7.02	5.59	265.07	267.30	268.82	270.50	285.17
61	FINANCIAL GROUP (118)	198.72	−0.1	—	6.20	—	198.83	199.54	200.32	202.40	199.02
62	Banks (6)	209.40	−0.7	46.76	7.35	2.62	210.81	211.06	212.01	213.84	236.81
63	Discount Houses (10)	246.40	—	—	7.89	—	246.40	246.75	245.72	245.51	241.83
64	Hire Purchase (5)	198.31	+1.1	16.56	5.01	7.84	196.11	196.81	204.10	205.19	188.55
65	Insurance (Life) (10)	178.18	—	—	7.15	—	178.22	179.49	177.54	181.99	162.80
66	Insurance (Composite) (9)	125.35	+0.1	—	8.59	—	125.25	126.99	126.56	130.48	137.88
67	Insurance Brokers (10)	298.29	—	15.81	6.87	8.79	298.41	298.96	298.29	296.49	292.17
68	Merchant Banks (14)	106.25	+0.8	—	5.79	—	105.40	105.81	105.61	106.15	99.97
69	Property (45)	398.68	+0.2	3.51	2.77	40.69	398.03	397.43	402.79	402.56	347.45
70	Miscellaneous (9)	129.30	−0.1	20.26	7.31	6.28	129.46	129.11	130.47	130.17	126.15
71	Investment Trusts (109)	218.54	−0.1	—	6.15	—	218.72	220.72	220.68	220.28	227.94
81	Mining Finance (4)	181.17	−2.3	14.68	5.45	8.26	185.46	185.95	187.68	187.57	141.06
91	Overseas Traders (19)	376.04	−1.2	13.29	7.19	9.20	380.52	381.41	379.86	382.05	359.48
99	ALL-SHARE INDEX (750)	249.13	−0.1	—	6.79	—	249.37	251.19	252.42	254.02	261.56

FIXED INTEREST PRICE INDICES

	British Government	Tues., May 20	Day's change %	xd adj. today	xd adj. 1980 to date
1	Under 5 years	103.37	−0.08	—	4.02
2	5-15 years	107.85	−0.28	—	4.15
3	Over 15 years	111.69	−0.40	—	4.81
4	Irredeemables	129.69	−0.32	—	6.08
5	All stocks	107.36	−0.26	—	4.31

FIXED INTEREST YIELDS
British Govt. Av. Gross Red.

			Tues., May 20	Mon., May 19	Year ago (approx.)
1	Low	5 years	12.35	12.30	9.93
2	Coupons	15 years	12.29	12.24	10.76
3		25 years	12.29	12.24	11.29
4	Medium	5 years	14.16	14.11	11.57
5	Coupons	15 years	13.97	13.91	12.01
6		25 years	13.79	13.72	12.15
7	High	5 years	14.23	14.18	11.86
8	Coupons	15 years	14.32	14.25	12.38
9		25 years	14.16	14.09	12.38
10	Irredeemables		11.26	11.22	11.08

		Tues., May 20 Index No.	Tues., May 20 Yield %	Mon. May 19	Fri. May 16	Thurs. May 15	Wed. May 14	Tues. May 13	Mon. May 12	Fri. May 9	Year ago (approx)
15	20-yr. Red. Deb & Loans (15)	51.29	†14.43	51.29	51.30	51.30	51.29	51.28	51.17	50.67	61.04
16	Investment Trust Prefs. (15)	47.64	14.17	47.64	47.68	47.59	47.64	47.46	47.50	47.65	52.59
17	Coml. and Indl. Prefs. (20)	61.74	14.53	61.82	61.71	61.49	61.49	61.33	61.10	61.65	74.90

† Redemption yield. Highs and lows record base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 25p.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1980 high	1980 low
LASMO	25p	22	645	+45	665	337
Carless Capel	10p	8	132	−1	158	75
Land Securities	50p	7	341	−1	342	244
Premier Cons.	5p	7	88	+4	98	39½
RTZ	25p	7	353	−12	485	337
Shell Transport	25p	7	374	+4	410	314
Acrow A	25p	6	52	+1	50	31
BP	£1	6	330	+2	412	320
Reed Intl.	£1	6	175	+1	206	163
BAT Inds.	25p	5	240	—	271	223
Courtaulds	25p	5	71	+1	79	64
Dunlop	50p	5	73	+1	74	51
European Ferries	25p	5	136½	−3½	142	98
Grand Met.	50p	5	125	+3	145	120
Laurence Scott	25p	5	60	−2	63	42

OPTIONS

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
May 19	Jun. 6	Aug. 28	Sept. 8
Jun. 9	Jun. 20	Sept. 11	Sept. 22
Jun. 23	Jul. 4	Sept. 25	Oct. 6

For rate indications see end of Share Information Service.

Calls were produced in Chubb, Ward White, International Thomson Convertible, Charterhall, Premier Oil, Associated Fisheries, Vickers, Courtaulds, ICL, Lonrho, Ratners, Burmah and KCA. Puts were done in FNFC, Dunlop and Carless Capel, while doubles were arranged in P & O Deferred, FNFC and Lonrho.

LONDON TRADED OPTIONS

Option	Ex'rcise price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
BP	330	26	—	38	4	54	—	331p
BP	360	10	—	22	—	40	—	
BP	390	4	—	14	—	26	—	
Com. Union	120	13	10	20	—	25	—	139p
Com. Union	130	8	—	14	—	18	—	
GEC	390	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	359p
Grand Met.	120	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	125p
Grand Met.	130	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
ICI	340	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	374p
Land Secs.	260	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	345p
Land Secs.	280	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Land Secs.	300	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Land Secs.	330	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Land Secs.	360	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Shell	330	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	374p
Shell	360	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Shell	390	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Totals			150		[illegible]		[illegible]	
		May		August		November		
Imperial Gp.	80	[illegible]	150	[illegible]	38	[illegible]	7	75p
Racal Elec.	200	45	2	51	—	58	—	245p
Racal Elec.	240	7	33	31	—	33	—	
RTZ	350	5	15	30	—	45	—	353p
RTZ	390	1	—	18	—	29	—	
Totals			199		18		36	

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price p	+ or −
85	F.P.	16/5	95	84	Amstrad Cons. Elect. 10p	[illegible]	[illegible]
	F.P.	20/6	180	136	Hemerdon Mining 10c	[illegible]	[illegible]
55	Nil		110	95	Horne Farm Prods. 10p	[illegible]	[illegible]
100	F.P.		101	94	Morley (R.H.) 10p	[illegible]	[illegible]
10	F.P.	6/6	10	10	Tret.of Prop. Shrs. 5p	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Automated Sec. 8% Conv. Uns. Ln. '95	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Edwards (L.C.) 8% Conv. Red. Cum. Pref	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Leigh Interests 10pc Conv. Uns. Ln. 1994-95	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Mid Southern 10% Red Prf. 1985	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	North Brit. Props. 9½% Cnv. Uns. Ln. 1996	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Norwest Holst 11% Red Cum Pref 1986	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price p	+ or −
30	F.P.	[illegible]	[illegible]	[illegible]	Brent Chemicals	148	[illegible]
66	Nil	[illegible]	[illegible]	[illegible]	Clifford's Dairies "A"	18pm	[illegible]
18	Nil	[illegible]	[illegible]	[illegible]	East Rand Cons.	1pm	[illegible]
97	F.P.	[illegible]	[illegible]	[illegible]	First Castle Secs.	[illegible]	[illegible]
40	Nil	[illegible]	[illegible]	[illegible]	Hawley Leisure	[illegible]	[illegible]
48	F.P.	[illegible]	[illegible]	[illegible]	Howard Tenens	67	[illegible]
118	F.P.	[illegible]	[illegible]	[illegible]	Linfood	[illegible]	[illegible]
60cts	Nil	[illegible]	[illegible]	[illegible]	Pancontinental	[illegible]	[illegible]
54	F.P.	[illegible]	[illegible]	[illegible]	Rugby Portland Cement	[illegible]	[illegible]
180	Nil	[illegible]	[illegible]	[illegible]	Unitech	[illegible]	[illegible]
68	F.P.	[illegible]	[illegible]	[illegible]	United Biscuits	[illegible]	[illegible]
110	F.P.	[illegible]	[illegible]	[illegible]	Watmoughs	135	[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 participating prf. shares and 1 ord. share at R1.50 per unit. † Dealings under special rule.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

King & Shaxson Mgrs. [illegible]

Kleinwort Benson Limited [illegible]

Lazard Brothers & Co. (Jersey) Ltd. [illegible]

Lloyds Bk. (C.I.) U/T Mgrs. [illegible]

Lloyds Bank International, Geneva [illegible]

M & G Group [illegible]

Management International Ltd. [illegible]

Midland Bank Tst. Corp. (Jersey) Ltd. [illegible]

Samuel Montagu Ldn. Agents [illegible]

Murray, Johnstone (Inv. Adviser) [illegible]

Negit S.A. [illegible]

Negit Ltd. [illegible]

Pacific Basin Fund [illegible]

Phoenix International [illegible]

Providence Capitol Life Ass. (C.I.) [illegible]

Quest Fund Mngmnt. (Jersey) Ltd. [illegible]

Richmond Life Ass. Ltd. [illegible]

Rothschild Asset Management (C.I.) [illegible]

Royal Trust (C.I.) Fd. Mgt. Ltd. [illegible]

Save & Prosper International [illegible]

Schlesinger International Mngt. Ltd. [illegible]

Schroder Life Group [illegible]

J. Henry Schroder Wagg & Co. Ltd. [illegible]

Sentry Assurance International Ltd. [illegible]

Singer & Friedlander Ldn. Agents [illegible]

Standard Chartered Intl. Bd. Fd. [illegible]

Stronghold Management Limited [illegible]

Surinvest (Jersey) Ltd. [illegible]

Surinvest Trust Managers Ltd. [illegible]

TSB Unit Trust Managers (C.I.) Ltd. [illegible]

TSB Gilt Fund Managers (C.I.) Ltd. [illegible]

Tokyo Pacific Holdings N.V. [illegible]

Tokyo Pacific Hldgs. (Seaboard) N.V. [illegible]

Tyndall Group [illegible]

Utd. Intnl. Mngmnt. (C.I.) Ltd. [illegible]

United States Tst. Intl. Adv. Co. [illegible]

S. G. Warburg & Co. Ltd. [illegible]

Warburg Invest. Mngt. Jrsy. Ltd. [illegible]

World Wide Growth Management [illegible]

Wren Commodity Trust [illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)

Allen Harvey & Ross Unit Tst. Mngrs.

Allied Hambro Group (a) (g)

Anderson Unit Trust Managers Ltd.

Ansbacher Unit Mgmt. Co. Ltd.

Arbuthnot Securities Ltd. (a)(c)

Archway Unit Tst. Mgs. Ltd.

Barclays Unicorn Ltd. (a)(c)(g)

Baring Brothers & Co. Ltd.

Bishopsgate Progressive Mgmt. Co.

Bridge Fund Managers (a)(c)

Britannia Trust Management (a)(c)(g)

The British Life Office Ltd.

Brown Shipley & Co. Ltd.

Canada Life Unit Trust Mngrs. Ltd.

Cannon (Ameri) Mngt. Ltd.

Capel (James) Mngt. Ltd.

Carliol Unit Fd. Mgrs. Ltd.

Charities Official Invest. Fund

Charterhouse Japhet

Chieftain Trust Managers Ltd.

Confederation Funds Mgt. Ltd.

Cosmopolitan Fund Managers

Crescent Unit Tst. Mgrs. Ltd.

Discretionary Unit Fund Managers

E. F. Winchester Fund Mngt. Ltd.

Emson & Dudley Tst. Mngmt. Ltd.

Equity & Law Un. Tr. M.

F. & C. Unit Trust Management Ltd.

Fidelity Management & Research

James Finlay Unit Trust Mngt. Ltd.

Framlington Unit Mgt. Ltd.

Friends' Provdt. Unit Tr. Mgrs.

Funds in Court

G.T. Unit Managers Ltd.

G. & A. Trust (a) (g)

Gartmore Fund Managers

Gibbs (Antony) Unit Tst. Mgs. Ltd.

Govett (John)

Grieveson Management Co. Ltd.

Guardian Royal Ex. Unit Mgrs. Ltd.

Henderson Administration

Hill Samuel Unit Tst. Mgrs.

Intel

Investment Intelligence Ltd.

Key Fund Managers Ltd.

Kleinwort Benson Unit Managers

L & C Unit Trust Management Ltd.

Legal & General Tyndall Fund

Leonine Administration Ltd.

Lloyds Bk. Unit Tst. Mngrs. Ltd.

Lloyd's Life Unit Tst. Mngrs. Ltd.

Local Authorities' Mutual Invest. Tst.

M & G Group

ManuLife Management Ltd.

Mayflower Management Co. Ltd.

Mercury Fund Managers Ltd.

Midland Bank Group Unit Trust Managers Ltd.

Minster Fund Managers Ltd.

MLA Unit Trust Mngemnt. Ltd.

Murray Johnstone U.T. Mgmt.

Mutual Unit Trust Managers

National Provident Inv. Mngrs. Ltd.

National Westminster

NEL Trust Managers Ltd.

Northgate Unit Trust Managers Ltd.

Norwich Union Insurance Group (b)

Pearl Trust Managers Ltd.

Pelican Units Admin. Ltd.

Perpetual Unit Trust Mngmt.

Practical Invest Co. Ltd.

Provincial Life Inv. Co. Ltd.

Prudl. Portfolio Mngrs. Ltd.

Quilter Management Co. Ltd.

Reliance Unit Mgrs. Ltd.

Ridgefield Management Ltd.

Rothschild Asset Management (g)

Rowan Unit Trust Mngt. Ltd.

Royal Tst. Can. Fd. Mgrs. Ltd.

Save & Prosper Group

Schlesinger Trust Mngrs. Ltd.

J. Henry Schroder Wagg & Co. Ltd.

Scottish Equitable Fnd. Mgrs. Ltd.

Security Selection Ltd.

Stewart Unit Tst. Managers Ltd.

Sun Alliance Fund Mngt. Ltd.

Target Tst. Mngrs. Ltd.

Tower Unit Trust Mngt. Ltd.

Trades Union Unit Tst. Managers

Transatlantic and Gen. Secs. Co.

TSB Unit Trusts (y)

Tyndall Managers Ltd.

Ulster Bank

Unit Trust Account & Mgmt. Ltd.

Wieler Growth Fund

NOTES

INSURANCE PROPERTY BONDS

Abbey Life Assurance Co. Ltd.

Albany Life Assurance Co. Ltd.

AMEV Life Assurance Ltd.

Barclays Life Assur. Co. Ltd.

Beehive Life Assur. Co. Ltd.

Canada Life Assurance Co.

Cannon Assurance Ltd.

Capital Life Assurance

Charterhouse Magna Gp.

Chieftain Assurance Funds

City of Westminster Assurance

Commercial Union Group

Confederation Life Insurance Co.

Cornhill Insurance Co. Ltd.

Credit & Commerce Insurance

Crown Life

Crusader Insurance Co. Ltd.

Eagle Star Insur/Midland Assur.

Equity & Law Life Ass. Soc. Ltd.

Family Assurance Society

Gartmore Bonds

General Portfolio Life Ins. C. Ltd.

Grovenor Life Ass. Soc. Ltd.

Growth & Sec. Life Ass. Soc. Ltd.

Guardian Royal Exchange

Hambro Life Assurance Limited

Hearts of Oak Benefit Society

Hill Samuel Life Assur. Ltd.

Imperial Life Ass. Co. of Canada

Irish Life Assurance Co. Ltd.

King & Shaxson Ltd.

Langham Life Assur. Co. Ltd.

Legal & General (Unit Assur.) Ltd.

Legal & General Prop. Fd. Mgrs. Ltd.

Life Assur. Co. of Pennsylvania

Lloyds Life Assurance

London A'dean & Nthn. Mtl. Assur. Ltd.

London Indemnity & Gnl. Ins. Co. Ltd.

London Life Linked Assur. Ltd.

The London & Manchester Ass. Gp.

M & G Group

Manufacturers Life Insurance Co.

Merchant Investors Assurance

NEL Pensions Ltd.

New Zealand Ins. Co. (UK) Ltd.

NPI Pensions Management Ltd.

Norwich Union Insurance Group

Phoenix Assurance Co. Ltd.

Planned Savings Group

Prop. Equity & Life Ass. Co.

Property Growth Assur. Co. Ltd.

Providence Capitol Life Ass. Co. Ltd.

Provincial Life Assurance Co. Ltd.

Prudential Pensions Limited

Reliance Mutual

Rothschild Asset Management

Royal Insurance Group

Save & Prosper Group

Schroder Life Group

Scottish Widows' Group

Standard Life Assurance Company

Sun Alliance Fund Mangmt. Ltd.

Sun Alliance Linked Life Ins. Ltd.

Sun Life of Canada (UK) Ltd.

Sun Life Unit Assurance Co. Ltd.

Target Life Assurance Co. Ltd.

Transinternational Life Ins. Co. Ltd.

Trident Life Assurance Co. Ltd.

Tyndall Assurance/Pensions

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Welfare Insurance Co. Ltd.

Windsor Life Assur. Co. Ltd.

OFFSHORE & OVERSEAS FUNDS

Abbey Fund Management Limited

Alexander Fund

Allen Harvey & Ross Inv. Mgt. (C.I.)

Alliance International Dollar Reserves

Arbuthnot Securities (C.I.) Limited

Bank of America International S.A.

Banque Bruxelles Lambert

Barbican Managers (Jersey) Ltd.

Barclays Unicorn International

Bishopsgate Commodity Ser. Ltd.

Bishopsgate Progressive—Ldn. Agents

Bridge Management Ltd.

Britannia Tst. Mngmt. (C.I.) Ltd.

Brown Shipley Tst. Co. (Jersey) Ltd.

Butterfield Management Co. Ltd.

Capital International S.A.

Charterhouse Japhet

Clive Investments (Jersey) Ltd.

Cornhill Ins. (Guernsey) Ltd.

Craigmount Fund Int. Mngrs. (Jersey)

DWS Deutsche Ges. F. Wertpapiersp

Delta Group

Deutscher Investment-Trust

Dreyfus Intercontinental Inv. Fd.

Emson & Dudley Tst. Mgt. Jry. Ltd.

The English Association

Eurobond Holdings N.V.

F & C Mgmt. Ltd. Inv. Advisers

Fidelity Mgmt. & Res. (Bda.) Ltd.

Fidelity Mgmt. Research (Jersey) Ltd.

First Viking Commodity Trusts

Fleming Japan Fund S.A.

Frankfurt Trust Investment—GmbH

Free World Fund Ltd.

G.T. Management Ltd.

Gartmore Invest. Ltd. Ldn. Agts.

Hambro Pacific Fund Mgmt. Ltd.

Hambros Fd. Mgrs. (C.I.) Ltd.

Henderson Baring Group

Hill-Samuel & Co. (Guernsey) Ltd.

Hill Samuel Invest. Mgmt. Intnl.

N.V. Interbeheer

International Pacific Inv. Mgmt. Ltd.

Jardine Fleming & Co. Ltd.

Lazard Jos. Joseph & Sons (Guernsey)

Keep-Bee Management Jersey Ltd.

Keyser Ullmann Ltd.

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Public Board and Ind.

High	Low	Stock	Price £	+ or −	Int.	Red.
60	56½	Agric. Mt. 5pc '59-89	99½	.....	8.51	12.79
79½	73½	Alcan 10½pc '89-94	79½	.....	13.83	14.65
28½	25	Met. Wtr. 3pc 'B'	27¼	.....	11.36	13.37
102	89	U.S.M.C. 9pc 1982	96	.....	9.79	—
90½	85½	Do. without Warrants	90½	.....	10.44	16.40

LOANS—Continued

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's	P/E
£76½	£56	Algemene Fl.100	£65½	.....	Q25%	1.9	7.7	7.8
360	290	Allen Harvey £1	350	.....	21.5	—	8.8	—
128	100	Allied Irish	100	.....	hQ6.09	—	7.8	—
17	13	Ansbacher (H.) 5p.	15¼	.....	—	—	—	—
230	180	Arbuthnot L. £1	228	−2	†10.42	—	6.5	—
360	295	Bk. Ireland £1	295	.....	Q23.51	—	8.0	—
£162	£145	Do. 10pc Conv.	£145	.....	Q10%	—	f7.0	—
*8	5	Bk. Leumi $0.1	6	.....	gQ11%	—	1.9	—
120	100	Bk. Leumi (UK) £1	120	.....	8.57	—	10.7	—
178	137	Bk. N.S.W. $A1	140	−3	Q16c	♦	0.0	♦
305	235	Bank Scotland £1	240	−3	15.0	5.1	8.9	3.0
£20¾	£16¼	Bankers N.Y. $10	£20⅛	.....	Q$3.30	—	7.4	—

BANKS & HP—Continued

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICALS

ENGINEERING—Continued

ENGINEERING MACHINE TOOLS

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FOOD, GROCERIES—Cont.

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[illegible]

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- †† Unlisted security.
- ‡ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♣ Regional price.
- ¶ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	29	......
Bertam	28	......
Bdg'wtr. Est. 50p	415	......
Clover Croft	60	......
Craig & Rose £1	£10½	......
Fife Forge	34	......
Finlay Pkg. 5p	18	......
Graig Ship. £1	£15	......
Higsons Brew.	80xd	......
Holt (Jos) 25p	252	......
I.O.M. Stm. £1	180	......
Pearce (C. H.)	455xd	......
Peel Mills	40	......
Sheff. Refrsbmt	105	......
Sindall (Wm.)	155	......

IRISH		
Conv. 9% '80/82	£88	+¼
Nat. 9¾% 84/89	£75¾	......
Fin. 13% 97/02	£83⅝	−⅛
Alliance Gas	63	......
Arnott	370xd	......
Carroll (P.J.)	52	......
Clondalkin	117	+2
Concrete Prods.	75	......
Heiton (Hldgs.)	35	......
Ins. Corp.	245	......
Irish Ropes	60	......
Jacob	30	......
T.M.G.	100	......
Unidare	100	......

OPTIONS

3-month Call Rates

Industrials					
A. Brew	8	I.C.I.	32	Utd. Drapery	9
BOC Intl.	6	"Imps"	7	Vickers	14
B.S.R.	5	I.C.L.	45	Woolworths	6½
Babcock	12	Inveresk	5		
Barclays Bank	30	Ladbroke	25	**Property**	
Beecham	13	Legal & Gen.	14	Brit. Land	7
Blue Circle	25	Lex Service	10	Cap. Counties	9
Boots	17	Lloyds Bank	28	Land Secs.	25
Bowaters	16	"Lofs"	3½	MEPC	17
B.A.T.	25	London Brick	6	Peachey	13
Brown (J.)	7	Lucas Inds.	28	Samuel Props.	12
Burton 'A'	22	"Mams"	14	Town & City	2
Cadburys	5½	Mrks. & Spncr.	9		
Courtaulds	8	Midland Bank	30	**Oils**	
Debenhams	8	N.E.I.	5	Brit. Petroleum	38
Distillers	21	Nat. West. Bank	32	Burmah Oil	20
Dunlop	5½	P & O Dfd.	9	Charterhall	12
Eagle Star	14	Plessey	16	KCA	11
F.N.F.C.	2½	Racal Elect.	20	Premier	12
Gen. Accident	21	R.H.M.	4½	Shell	35
Gen. Electric	30	Rank Org.	18	Tricentrol	35
Glaxo	40	Reed Intnl.	17	Ultramar	50
Grand Met.	12	Sears	5½		
G.U.S. 'A'	30	Tesco	7	**Mines**	
Guardian	23	Thorn	25	Charter Cons.	18
G.K.N.	22	Trust Houses	14	Cons. Gold	52
Hawker Sidd.	16	Tube Invest.	27	Lonrho	12
House of Fraser	12	Unilever	40	Rio T. Zinc	35
		U.D.T.	6		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 2

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £500 per annum for each security

FINANCIAL TIMES

Wednesday May 21 1980

The Secretary of State gives his first press conference

Giscard talks anger Muskie

BY JUREK MARTIN, U.S. EDITOR IN WASHINGTON

MR. EDMUND MUSKIE, the new U.S. Secretary of State, yesterday sharply criticised France for failing to consult the U.S. before this week's meeting in Warsaw between President Valery Giscard D'Estaing and President Leonid Brezhnev of the Soviet Union.

Sarcastically observing that the U.S. was always being attacked for not consulting its allies, he said: "I was concerned that when I was given a lecture on consultation by M. Jean Francois-Poncet, the French Foreign Minister, in Vienna on Friday, the lecture was apparently practising what he was preaching." Lack of consultation could only harm trans-Atlantic co-operation.

Mr. Muskie's attack on France was the most notable aspect of his first formal press conference as Secretary of State. But he was also critical, if more gently, of the watering down of Allied sanction against Iran and of the determination of many European Olympic committees to attend the summer games in Moscow.

He noted that the sanctions programme drawn up at the Naples meeting of EEC foreign ministers at the weekend had not gone as far as the EEC heads of state had originally promised.

But, he added, it was nonetheless "positive" insofar as it fitted in with the twin U.S. policies of commercial and diplomatic pressure on Iran to bring home to the authorities in Tehran the consequences of their continued illegal holding of the U.S. hostages.

On the Olympics, he said that more European Olympic committees "than we would like to have seen" had opted to go to Moscow, often in defiance of their governments.

But in the light of his meeting in Vienna with Mr. Gromyko, his Soviet counterpart, last week, Mr. Muskie doubted that the Soviet Union intended to withdraw its troops soon from Afghanistan.

Reporting publicly for the first time on that confrontation, be said he had made it clear to Mr. Gromyko that it was the invasion of Afghanistan that caused the Strategic Arms Limitation Treaty to be shelved.

On bis own role as Secretary of State be hoped his political experience, which mirrored that of many of his European colleagues, would facilitate understanding between the U.S. and its friends and adversaries.

Robert Mauthner in Paris adds: Continuing disagreement over Afghanistan has not deterred French officials from underlining the positive aspects of the Brezhnev-Giscard meeting.

On his return to France, President Giscard emphasised that he bad set nut clearly and frankly the West's position on Afghanistan and that he had been listened to "with great attention" by Mr. Brezhnev and Mr. Edward Gierek, the Polish leader.

If French officialdom professes to be satisfied with the outcome of the Brezhnev-Giscard summit, many French commentators are critical of the lack of preparation for the meeting and, particularly the absence of prior consultations between France and its western allies. Several ewspapers echo the view that the Soviet Union has been handed a diplomatic victory by President Giscard, whose meeting with Mr. Brezhnev can be presented to Soviet and Eastern European public opinion as demonstrating tbe West's lack of solidarity over Afghanistan.

Sanctions switch upsets Germans

BY JONATHAN CARR IN MAINZ

COUNT OTTO LAMBSDORFF, the West German Economics Minister, has criticised Britain's decision not to backdate economic sanctions against Iran, as it had agreed with its EEC partners.

Count Lambsdorff also warned in Mainz yesterday that the decision would make a solution to Britain's budgetary dispute with the EEC, and other European Community problems, more difficult.

Earlier, in a speech to the Federation of German Industry (BDI), the Minister departed from his prepared text to stress that the tough public comments which Britain had made on sanctions and on the Moscow Olympics had not been backed by action.

Other governments in Europe had smaller parliamentary majorities than the British and yet were able to push through action on Iran.

At a Press conference later, Dr. Rolf Rodenstock, BDI president, also expressed disappointment with Britain, emphasising that while his organisation was clearly not happy about actions it was important for Europe to have a joint stand.

While Count Lambsdorff was making his comments, Herr Klaus Boelling, the Government spokesman in Bonn, was adopting a much softer tone, stressing that in spite of the British action the basic EEC sanctions decision remained intact.

Herr Hans Dietrich Genscher, the Foreign Minister, is known to have been angry with the British stand on sanctions even before the latest London decision, having mistakenly received the impression before the Luxembourg summit that Britain would support inclusion of existing contracts in the measures against Iran — and urged in the Bonn Cabinet that West Germany do likewise.

Richard Evans, Lobby Editor, writes: Lord Carrington, the Foreign Secretary, was taking most of the blame yesterday for the Government's dramatic about-turn.

It was made clear in Whitehall that Lord Carrington had acted without specific Cabinet authority when he agreed with other Common Market Foreign Ministers at the weekend to make the sanctions retrospective to November 4, the date the U.S. hostages were seized.

Because of the confusion created by the change of policy it is not clear when the orders implementing a trade boycott will be laid before Parliament.

The original date for action was tomorrow but it is now possible that the necessary orders will be delayed until next week, while further consultations are held with Britain's European Community partners.

The orders will come into effect immediately but will be subject to debate and a vote within 28 sitting days.

Mrs. Thatcher was reported to have shared the concern of other Ministers and MPs about the backdating of sanctions. She authorised the Government's most dramatic U-turn so far when she was told there was a real prospect of a Government defeat.

Because of the abandonment of the retrospective element in the trade embargo the planned three-hour emergency Commons debate on sanctions was curtailed to half an hour yesterday.

Sir Ian Gilmour, Deputy Foreign Secretary, assured MPs there would now be no ban on trade deals signed before the date the sanctions orders are laid before Parliament.

Iraq puts up oil prices by $2

BY RAY DAFTER, ENERGY EDITOR

IRAQ, ONE of the world's major oil exporters, has raised its prices by $2 a barrel, backdated to May 1.

The move, part of a new wave of price increases within the Organisation of Petroleum Exporting Countries, will add urgency to talks by energy ministers of the main oil importing countries in Paris tonight and tomorrow under the aegis of the International Energy Agency.

The Iraqi announcement, made to leading oil companies, dispels importers' hopes that increases imposed earlier this week by Libya, Algeria and Indonesia were the action of a breakaway group of OPEC hawks.

They hoped oil companies could be encouraged to take a similarly hard line with some of the other pricing "hawks," given the present comfortable supply and demand pattern.

Mr. David Howell, Britain's Energy Secretary, who yesterday had preliminary talks in London with Mr. Duncan, said that Western countries could not afford "another round of erratic jumps in price."

Earlier he had commented: "We are on a knife edge. We could get some sort of order into oil prices this year, but if we miss this chance the outlook is dismal."

BNOC has told customers that it is reviewing prices and that any increase will be backdated to yesterday. It is thought the Corporation will await Nigeria's pricing decision before making a move.

Iraq's Basrah light crude oil now costs $29.96, about $2 less than the recently set price for Saudi Arabia's "marker" light crude, and $8.25 less than the new asking price for Algeria's top quality oil.

Libya, which has raised its base price by $1 a barrel to $35.21, is still asking an additional $3 a barrel as a refundable exploration fee. Kuwait and Iran are among other OPEC members seeking premium payments.

Energy ministers attending the International Energy Agency meetings in Paris may well resist premium payments and possibly some of the more extreme posted prices.

Mr. Charles Duncan, U.S. Energy Secretary, is expected to be among those urging concerted International Energy Agency action to put a brake on oil price rises.

Oil prices will be a major topic at the International Energy Agency meeting, but there may also be a move to encourage greater oil import savings among the 21 member nations. The U.S. is expected to call for a lower import target for 1985 (no wset at 24.6m b/d plus 1.6m b/d bunkers) and new targets for next year and 1990.

● Last night, the United Arab Emirates followed Iraqs notification to customers by formally announcing an increase of $2 per barrel in its prices. The rate for its premier Murban crude will now be $31.56.

Kuwait and Qatar now seem certain to follow suit, thus reopening within the Gulf the gap Saudi Arabia sought to close last week.

Western diplomats pointed out yesterday that British Petroleum, Royal Dutch/Shell and 12 Japanese importers were already refusing to buy Iranian oil at rates of $37 to $38 a barrel.

Western oil equipment supplies to Russia, Page 3; Indonesia exploration deal and Japanese contracts for Scandinavian rigs, Page 6; World oil supplies feature, Page 16

Saudis withold contracts to UK companies

BY RICHARD JOHNS, MIDDLE EAST EDITOR

RALPH M. PARSONS, the U.S. Engineering consultants responsible for the infrastructure of the giant Saudi Arabian industrial complex at Yanbo, have been instructed not to award any contracts to British companies.

The order is seen in Whitehall as the first retaliation against Britain because of ITV's screening of the film "Death of a Princess" last month.

Quite apart from the heavy hydrocarbon-based industrial projects involved, the infrastructure at Jubail and Yanbo will involve billions of dollars in expenditure over the next two decades.

Last summer Bechtel, which is supervising the infrastructure work, estimated the outlay on infrastructure at Jubail alone, which is planned to be twice as large as Yanbo, would run at an average of $2bn annually, at constant 1979 prices, until the next century.

The decision is understood to have been made by Dr. Farouk Akbdar, the director-general of the royal commission supervising the projects at Yanbo on the Red Sea coast and at Jubail in the kingdom's eastern province.

Saudi Arabia's Council of Ministers was apparently not involved in the decision. A similar instruction has not yet been given to Bechtel.

Preference is to be given to Saudi contractors and then to foreign contractors with Saudi partners. UK companies have not been prominent in bidding for related contracts.

Lord Carrington, Foreign Secretary, is expected to make an important statement on Thursday about political difficulties facing British trade.

Though its scope is evidently intended to include Iraq and Libya, its prime aim will probably be to put relations with Saudi Arabia on a better footing.

After two weeks deliberation the Council of Ministers reacted to the showing of the controversial film investigation of the execution of a Saudi princess by requesting the British Government to withdraw Mr. James Craig, the British Ambassador in Jeddah.

At the same time a communique said that economic and commercial links with the UK had been reviewed.

No specific retaliation was decided, it seems clear, but the British Government has from the start recognised that the immediate danger to UK bids for Saudi contracts lay in over zealous officials refusing to treat them objectively, either to please their royal superiors or in fear of offending them.

Now the Foreign Office is more anxious than ever that normal relations can be resumed with the return of Mr. Craig to Jeddah. But some officials seem reconciled to the possibility that a full reconciliation is unlikely before the autumn.

Increased gold trading cuts West German trade surplus

BY KEVIN DONE IN FRANKFURT

THE GOLD fever that gripped the world until a few months ago—driving the price to a peak of more than $850 an ounce on January 21—has made a visible impact on the West German economy.

Private citizens have launched themselves into the market to hoard more of the precious metal, the banks have stepped up their gold trading, and the Federal Republic as a whole bought fully 10 per cent of all the gold sold last year either directly by the USSR and South Africa or offered for auction by the U.S. authorities and the International Monetary Fund.

This is the picture which emerges from the latest monthly report of the Bundesbank, the West German central bank, published yesterday. Private citizens in West Germany are now estimated by the Bundesbank to own about 1,000 tonnes of gold coins worth some DM 25bn (£7bn).

Gold is occupying an increasingly important place in the West German trade statistics, and growing gold imports have been a significant factor behind the rapidly shrinking trade surplus.

Since 1973, imports of unprocessed gold and gold coins have quadrupled in value, from DM 0.9bn to DM 9.5bn last year. By volume, they have increased by some 80 per cent over the same period compared with an average increase of all imports of only 35 per cent.

German gold exports fell 18m tonnes to 33m tonnes last year from 1978's 50m tonne level.

Net gold imports totalled 173 tonnes last year against 102 tonnes in 1973, and the deficit in the balance of gold trade jumped to nearly DM 3bn. More gold was smuggled into the country.

The biggest increase in "visible" gold imports has been in gold coins, which have jumped from 23 tonnes in 1973 to 70 tonnes in 1978 and 91 tonnes last year, mainly in krugerrands.

Continued from Page 1

Civil servants

secretaries, the grade above.

Our Labour Editor adds: Remarks by two Ministers in Parliament yesterday suggest that the Clegg Commission for making public sector pay comparability will be wound up as part of the Government's plans for a tough winter on the pay front.

Lord Gowrie, Minister of State for Employment, told the Lords there had not yet been a public sector pay round when the Government was directly responsible and could set an example.

Mr. James Prior, Employment Secretary, was asked in the Commons whether there was any justification for keeping the commission.

Banks told to think again over risks

By Michael Lafferty, Banking Correspondent

MR. GORDON RICHARDSON, Governor of the Bank of England, yesterday called on banks operating in the UK to reassess the prudential criteria under which they operate.

He advised bankers to pay more attention to the maintenance of adequate liquidity levels, and sounded a warning about what he described as "modern techniques of liability management and mismatching of liabilities and assets."

Speaking at a Financial Times lunch in London for the foreign banking community, Mr. Richardson also indicated that the Bank of England might be changing its attitude to the implementation of the Banking Act, 1979. The Act establishes a two-tier recognition system for banking institutions. He said a number of branches of major foreign banks would be classified as licensed deposit-takers—which means they will be restricted in describing themselves as banks—rather than recognised banks.

It had previously been understood by many City bankers that the Bank regarded the licensed deposit-taking status as junior to recognised bank status, and that all leading foreign banks would become recognised banks.

In the Bank's first definitive statement on how it views the new two-tier system, Mr. Richardson emphasised that the distinction between banks and deposit-takers was one of function rather than status.

"In these circumstances, the Bank of England would not expect the market to make crude judgments of credit worthiness based merely on the distinction between recognised banks and licensed deposit-takers.

"Indeed I should regard the market as failing in professional expertise, if it were to base it assessment on this distinction alone," he said.

Mr. Richardson then turned to the Bank's recent consultative paper on bank liquidity, which has attracted considerable hostility from the banking community. Liquidity adequacy was a particularly complex and elusive subject, he said.

"It is also a subject where the debate among the banking community, at least in the UK and probably also abroad, has not been engaged with the intensity which the subject deserves."

He indicated that the Bank of England regarded itself as pioneering in an area where there were "real problems."

"As a supervisory authority, we have to address ourselves not only to the adequacy of the liquidity of the individual institution, but also the liquidity available to the system as a whole.

Weather

UK TODAY

GENERALLY CLOUDY with rain at times, sometimes heavy in the south. Showers in the west with bright intervals.

London, E. and S. E. England, E. Anglia

Mostly cloudy, rain at times, heavy in places. Coastal fog patches with freshening winds. Max. 15C (59F).

Channel Is., S.W. England, S. Wales, N. Wales, N.W. England, Lake District and Isle of Man

Showers, heavy in places, bright or sunny intervals Max 14C (57F).

S.W. Scotland, Glasgow, Highlands, Moray Firth, N.E. Scotland, Argyll, N.W. Scotland

Scattered showers dying out. Bright or suny intervals. Wind moderate or fresh. Max. 14C (57F).

Outlook: Mostly dry with sunny periods, but some showers in the south at first.

WORLDWIDE

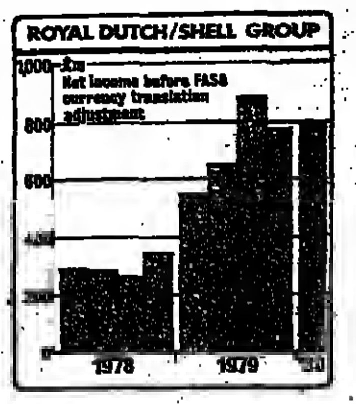
		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	18	64	Locarno	F	20	68
Algiers	S	22	72	London	R	13	55
Amsdm.	S	22	72	Luxmbg.	S	21	70
Athens	S	20	68	Luxor	S	45	113
Bahrain	S	36	97	Madrid	S	20	68
Barclna.	S	15	68	Majorca	F	20	68
Belfast	R	12	54	Malaga	S	20	68
Belgrd.	C	16	61	Malta	S	18	64
Berlin	S	17	63	Mchstr.	R	12	54
Biarritz	C	14	57	Milan	S	21	70
Bmghm.	R	11	52	M'nreal	S	17	63
Blackp'l	C	13	55	Moscow	C	4	39
Bordx.	C	18	66	Munich	S	18	61
Boulgn.	C	15	59	Nairobi	S	23	73
Bristol	C	15	59	Naples	F	18	64
Brussels	S	21	70	Nwcstl.	C	11	52
Budpst.	S	20	68	N. York	C	20	68
B. Aires	C	15	68	Nice	S	20	68
Cairo	S	38	100	Oporto	S	21	70
Cardiff	R	14	57	Oslo	C	13	55
Casbca.	S	22	72	Paris	F	20	68
Cape T.	S	21	70	Perth	S	21	70
Chicago	S	19	66	Prague	R	20	68
Cologne	S	23	73	Reykjvk.	C	7	45
Cpnhgn.	S	12	54	Rhodes	S	24	75
Corfu	S	17	63	Rio J'o	S	27	81
Dublin	C	18	57	Rome	R	19	66
Dbrvnk.	R	15	59	Salzbg.	S	16	61
Ednbgh.	C	14	57	Singapr.	S	31	88
Faro	S	24	75	Stckhm.	C	8	48
Frankf't	S	21	70	Strsbg.	S	20	68
Funchal	S	22	72	Sydney	S	18	61
Geneva	S	16	61	Tangier	S	23	73
Gibrltr.	S	19	66	Tehran	S	26	80
Glasgow	R	13	55	Tel Aviv	S	34	93
G'rnsey	R	11	52	Tenerife	C	15	81
Helsinki	C	4	39	Tokyo	C	23	73
H. Kong	S	26	80	Toronto	S	14	58
Innsbrk.	S	18	64	Tunis	C	19	66
Invrnss.	R	12	54	Valencia	S	23	73
Istanbul	C	18	64	Venice	F	20	68
Jersey	R	11	52	Vienna	S	18	66
Jo'burg	S	18	65	Warsaw	C	11	52
L. Plms.	S	23	73	Zurich	S	18	64
Lisbon	S	24	75				

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

THE LEX COLUMN

Shell keeps up the pace

Index fell 0.2 to 433.6



Shell's strong profit performance shows no sign of slackening. First quarter reported net income is up from £618m to £718m, and after adjusting for a notional switch to LIFO stock accounting—stock profits in the quarter were £320m—and undoing the effects of the FAS 8 currency adjustment, there is an increase from £416m to £468m. Over the last quarter of 1979, which showed net income of £364m on an adjusted basis, the rise is sharper still, but that period was badly affected by OPEC's retrospective price adjustment. In addition, the premium of spot market crude over government selling prices was rather lower by the first quarter of this year, and Shell's profitability on marginal sales improved as a result.

One striking feature of the figures is the sharp contraction in volume on which the higher profits have been earned. Oil product sales work out 12 per cent below the levels of early 1979, and the mild winter brought a similar drop in European gas volume. But higher gas prices more than made up for the volume decline, and in the oil product markets Shell is managing to pass on the bulk of its cost increases. And Shell hopes the recent $2 a barrel rise in the Saudi oil price will reduce the potential competitive threat from the Aramco partners.

Meanwhile, the American businesses are moving ahead well, helped by the consolidation of Belridge—and Shell's decision to capitalise some of the interest payments on the cost of its acquisition, which boosts the quarter's net income by £14m—as well as by the gradual re-regulation of energy prices, which will be of increasing benefit over the year. The overall impression is that the first quarter figures represent a sustainable level of income, unless the bottom drops out of the downstream markets, and Shell should make a good £1.8bn of underlying earnings, against £1.6bn in 1979.

On this basis the Shell Transport share, at 374p, is valued at less than six times earnings, while the prospective yield could be about 7½ per cent. This rating does scant justice to Shell's defensive strengths—its spread of supplies, increasing amounts of equity crude, and watching power—let alone the likelihood of sharply higher gas profits as the gas price catches up with crude oil. And Shell's ability to finance £600m of capital expenditure and a similar amount of working capital out of three months5 cash flow is enviable to say the least. For any but a gross fund, the Royal Dutch share is very cheap relative to Shell Transport, but it has been cheap for some time, and there has been little mileage recently in hoping that the Amsterdam market would close the gap.

U.S. profits

The failure of share prices on Wall Street to respond with any great enthusiasm to the fall in interest rates can be linked quite directly to the highly uncertain outlook for corporate profits. On the surface, the first quarter figures published yesterday by tha Commerce Department do not look too bad. Compared with the fourth quarter figures of 1979, U.S. company profits show a rise of 5.9 per cent on a seasonally adjusted basis.

But these figures have been substantially inflated by a surge in stock profits. Excluding them, the first quarter shows a drop of 2.6 per cent, and that figure would have looked a lot worse still but for the oil sector, which has nearly doubled its profits (excluding inventory gains) compared with a year earlier. The automotive companies stand out among the weaker brethren, with their third quarter of mounting losses. And as Sears Roebuck and J. C. Penney showed earlier this week, the retail and wholesale industries are taking a real pasting. Profits in this sector have fallen by nearly two fifths compared with the preceding quarter.

Some of the non-durable manufacturers are looking brighter, such as the chemicals industry which has been doing very well in export markets. The overall picture, though, is that profits per unit of output have now been slipping for five consecutive quarters — and the recession was only really getting under way at the end of the period. This does not provide the ideal background for big dividend increases, or for too much short term excitement in the stock market.

C. E. Heath

C. E. Heath is yet another insurance broker whose profits have suffered a significant setback after the palmy days of the 60s and 70s. Operating profits in the year to March have dropped 19 per cent to £12.95m with little prospect of any significant recovery in the current year. And an ominous portent for the rest of the sector is contained in Heath's exceptional item of £894,000 which has depressed earnings per share to 22.1p compared with 29.6p.

The exceptional item relates to amounts which Heath regards as irrecoverable from certain underwriting agents which it used in more expansive times. Other brokers have complained recently about the slow movement of funds—due to the attractiveness of high interest rates—in the insurance chain which is putting them all under pressure. This problem is likely to become more acute as competitive pressures, particularly in the non-marine markets, are showing little signs of easing. Meanwhile, Heath is unwilling to see its dividend cover fall below the present level—just over two times—so there is little scope for an uplift. At 208p, up 6p, the shares yield 6.9 per cent.

City Investing

Anyone who thought that Mr. Lyman C. Hamilton might opt for the quiet life after his hurried departure from the chief executive's slot at ITT last summer has got it all wrong. Yesterday a private company of which he is president and chairman announced plans to bid $1.1bn cash, or $30 a share, for City Investing Company, a conglomerate with interests ranging from a major property and casualty insurance business to the Rheem group of container manufacturers.

Although the group's shares had been rising for some weeks on bid speculation, the surge is a big surprise. The City has a lot of floating rate debt, and this year's earnings could well be down on 1979's $3.60 a share. But running ITT must teach you something about insurance, and also about how to dispose of low returning assets.

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